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**ITALY'S INTERESTS AND POLICIES
IN THE FAR EAST**

ITALY'S INTERESTS AND POLICIES IN THE FAR EAST

By

FRANK M. TAMAGNA

*Instructor in Economics
Xavier University, Cincinnati*

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FOREWORD

This study forms part of the documentation of an Inquiry organized by the Institute of Pacific Relations into the problems arising from the conflict in the Far East.

It has been prepared by Frank M. Tamagna, LL.D., Ph.D., Instructor in Economics, Xavier University, Cincinnati, at present on leave of absence.

The Study has been submitted in draft to a number of authorities many of whom made suggestions and criticisms which were of great value in the process of revision.

Though many of the comments received have been incorporated in the final text, the above authorities do not of course accept responsibility for the study. The statements of fact or of opinion appearing herein do not represent the views of the Institute of Pacific Relations or of the Pacific Council or of any of the National Councils. Such statements are made on the sole responsibility of the author. The Japanese Council has not found it possible to participate in the Inquiry, and assumes, therefore, no responsibility either for its results or for its organization.

During 1938 the Inquiry was carried on under the general direction of Dr. J. W. Dafoe as Chairman of the Pacific Council and in 1939 and 1940 under his successor, Dr. Philip C. Jessup. Every member of the International Secretariat has contributed to the research and editorial work in connection with the Inquiry, but special mention should be made of Mr. W. L. Holland, Miss Kate Mitchell and Miss Hilda Austern, who have carried the major share of this responsibility.

In the general conduct of this Inquiry into the problems arising from the conflict in the Far East the Institute has benefited by the counsel of the following Advisers:

Professor H. F. Angus of the University of British Columbia

Dr. J. B. Condliffe of the University of California

M. Étienne Denney of the École des Sciences Politiques.

These Advisers have coöperated with the Chairman and the Secretary-General in an effort to insure that the publications issued in connection with the Inquiry conform to a proper standard of sound and impartial scholarship. Each manuscript has been submitted to at least two of the Advisers and although they do not necessarily subscribe to the statements or views in this or any of the studies, they consider this study to be a useful contribution to the subject of the Inquiry.

The purpose of this Inquiry is to relate unofficial scholarship to the problems arising from the present situation in the Far East. Its purpose is to provide members of the Institute in all countries and the members of I.P.R. Conferences with an impartial and constructive analysis of the situation in the Far East with a view to indicating the major issues which must

be considered in any future adjustment of international relations in that area. To this end, the analysis will include an account of the economic and political conditions which produced the situation existing in July 1937, with respect to China, to Japan and to the other foreign Powers concerned; an evaluation of developments during the war period which appear to indicate important trends in the policies and programs of all the Powers in relation to the Far Eastern situation; and finally, an estimate of the principal political, economic and social conditions which may be expected in a post-war period, the possible forms of adjustment which might be applied under these conditions, and the effects of such adjustments upon the countries concerned.

The Inquiry does not propose to "document" a specific plan for dealing with the Far Eastern situation. Its aim is to focus available information on the present crisis in forms which will be useful to those who lack either the time or the expert knowledge to study the vast amount of material now appearing or already published in a number of languages. Attention may also be drawn to a series of studies on topics bearing on the Far Eastern situation which is being prepared by the Japanese Council. That series is being undertaken entirely independently of this Inquiry, and for its organization and publication the Japanese Council alone is responsible.

The present study, "Italy's Interests and Policies in the Far East," falls within the framework of the first of the four general groups of studies which it is proposed to make as follows:

I. The political and economic conditions which have contributed to the present course of the policies of Western Powers in the Far East; their territorial and economic interests; the effects on their Far Eastern policies of internal economic and political developments and of developments in their foreign policies *vis-à-vis* other parts of the world; the probable effects of the present conflict on their positions in the Far East; their changing attitudes and policies with respect to their future relations in that area.

II. The political and economic conditions which have contributed to the present course of Japanese foreign policy and possible important future developments; the extent to which Japan's policy toward China has been influenced by Japan's geographic conditions and material resources, by special features in the political and economic organization of Japan which directly or indirectly affect the formulation of her present foreign policy, by economic and political developments in China, by the external policies of other Powers affecting Japan; the principal political, economic and social factors which may be expected in a post-war Japan; possible and probable adjustments on the part of other nations which could aid in the solution of Japan's fundamental problems.

III. The political and economic conditions which have contributed to the present course of Chinese foreign policy and possible important future developments; Chinese unification and reconstruction, 1931-37, and steps leading toward the policy of united national resistance to Japan; the present degree of political cohesion and economic strength; effects of resistance and current developments on the position of foreign interests in China and changes in China's relations with foreign Powers; the principal political,

economic and social factors which may be expected in a post-war China; possible and probable adjustments on the part of other nations which could aid in the solution of China's fundamental problems.

IV. Possible methods for the adjustment of specific problems, in the light of information and suggestions presented in the three studies outlined above; analysis of previous attempts at bilateral or multilateral adjustments of political and economic relations in the Pacific and causes of their success or failure; types of administrative procedures and controls already tried out and their relative effectiveness; the major issues likely to require international adjustment in a post-war period and the most hopeful methods which might be devised to meet them; necessary adjustments by the Powers concerned; the basic requirements of a practical system of international organization which could promote the security and peaceful development of the countries of the Pacific area.

EDWARD C. CARTER
Secretary-General

*New York,
February 15, 1941*

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**ITALY'S INTERESTS AND POLICIES
IN THE FAR EAST**

CHAPTER I

ITALY AND THE FAR EAST BEFORE 1922

Before the Great War

The intercourse between Italy and the Far East has followed closely her political and mercantile fortunes. Before the Christian era trade between the Mediterranean Sea and the Far East found its way by land through Persia. In the year 166 B.C. Roman envoys were sent to Loyang, at that time capital of the Han (Chinese) Empire. This opened a new route by sea, through the Persian Gulf to Tonking, and eventually made possible direct trade relations between the two empires. With the decadence of Rome and the triumph of Mohammedanism, the trade between the East and the West fell into the hands of the Arabs.

After the twelfth century, the Italian mercantile and maritime republics were acquainted with the Orient through the Crusades and the Mongolian invasions. The voyages of missionaries, such as Giovanni da Pian del Carpine in 1245-1247, and of tradesmen like the Polos in 1261-1295, disclosed the opportunities of Oriental trade and caused both commercial and cultural relations to be established. After the fall of the Mongol Dynasty (1368) and when the political life of Italy began to decline, the trade of Genoese, Venetian and Florentine merchants ceased and cultural contacts grew less frequent. Toward the close of the sixteenth century an Italian Jesuit, Matteo Ricci, brought to China the knowledge of Western science. From then until the eighteenth century, when persecutions against missionaries arose, relations between Italy and the Orient remained limited to the religious and cultural fields; the best printing establishment for Chinese books in Europe existed for centuries in Naples.

In modern times Italy, soon after having achieved her independence and unity, established political relations with the Far Eastern nations. Official contacts were initiated by Count

Cavour, who in 1858 asked a British friend resident in Shanghai to assume the title of Sardinian honorary consul and to report to him about trade and shipping in China. In 1866 a treaty of friendship, trade and navigation was signed between Japan and Italy, according to which Italy was to enjoy most-favored-nation privileges. In the same year a similar treaty was concluded with China, followed two years later by a commercial agreement. A treaty of friendship and trade was signed in 1868 with Siam (Thailand). In 1873 the Italian and Japanese governments succeeded in negotiating a revised treaty, which recognized Japan's judicial autonomy and permitted Italian merchants to travel freely in the interior. This treaty, however, was not carried into effect, because the representatives of other Western Powers renewed their joint efforts to secure for their own nationals the same right of travel beyond the limits of the treaty ports. In 1884 Italy established commercial and diplomatic relations with Korea.

At about the same time plans were made for the establishment of naval bases in Far Eastern waters. In 1873 the Italian Government dispatched warships to the coasts of New Guinea and Malaya, but this imperialistic plan failed. The country was too much absorbed in the work of national reorganization and still too weak to assert her aims against those of other European Powers. In 1899 Italy demanded the lease of San-men Bay in Chekiang, China, on the same footing with the naval bases obtained in 1897 and 1898 by Russia, England and France. This step seemed to indicate an intention on the part of Italy to claim rights over the Chekiang province, and China peremptorily refused the demand. Italy recalled her minister from Peking, but did not formally break diplomatic relations.

During the Boxer Rebellion an Italian contingent participated in the international military expedition to Peking. With the Final Protocol of 1901 for the resumption of friendly relations with European Powers, Italy received an allotment of 5.91 per cent of the Boxer Indemnity (26,617,005 Haikwan taels¹ or 99,713,769 gold lire), the concession in perpetuity of a small zone on the left bank of the Hai River, in Tientsin, to

¹ A Chinese Customs unit of account based on silver and equal to about 1.55 Chinese national (silver) dollars.

start there an Italian Concession, and, of course, she joined the other Great Powers in the extraterritorial privileges they received in the Legation Quarter in Peking and in the right to garrison the Mukden-Peking Railroad. Italy kept from 1900 until a few years ago a garrison at Shan-Hai-Kwan, where the Great Wall divides, on the seashore, Manchuria from China proper.

In the previous year the Italian Government had obtained the recognition of another of its claims. The Italian Franciscan Missions in China came, with the consent of the Vatican, under the exclusive protection of the Italian Legation, putting thus an end to the old fictitious French claim to protect in China all the Catholic missions—a claim based on a false translation of the peace treaties of 1860 (after the British-Franco expedition against Peking). Some twelve years after the passage of the Franciscans under the protection of Italy, all the other Italian bishops and Missions in China—Count Sforza being Minister in Peking—followed their example and raised the Italian flag on all their hospitals, churches, schools, and convents. Rapidly the Italian Missions became important active centers for the spread of Italian culture.

New treaties were signed by Italy and Japan in 1894 and 1912, and with Siam in 1905. The Italian-Japanese treaty of 1894 adopted an unconditional most-favored-nation clause and provided for treatment of Italians on an equal footing with the Japanese in regard to travel, residence and trade. Several attempts were made to renew the commercial agreement with China of 1868, but the discussions were broken off in 1906 and never resumed.

Despite the remarkable progress made during half a century, Italy's political and territorial interests in the Far East at the beginning of the Great War were limited to the Tientsin concessions and trade and diplomatic relations were not extensive. In 1910 there were in China 274 persons of Italian citizenship, mostly engaged in missionary work, and 22 firms registered under Italian law. A number of Italians worked as technical experts in the Korean mines or became small manufacturers and tradesmen in Siam and the Netherlands Indies.

Italy's trade with the Far East in 1910 amounted to 111 mil-

lion lire of imports and 18 million lire of exports, and represented 2.4 per cent of her total foreign trade; her trade with China, Japan and the Netherlands Indies expanded from 1.95 per cent of her total trade in 1903 to 2.05 per cent in 1910.² The trade of China and Japan with Italy in 1910 represented 1.40 per cent and 1.84 per cent of their respective total foreign trade.

Three facts characterize Italian trade with the Far East between 1900 and 1913: (1) A progressive expansion, which may be considered normal, since the relative importance of Far Eastern trade to Italy and of Italian trade to Far Eastern countries remained substantially unchanged; Italian trade with China, however, showed a tendency to decline, while Italian trade with the other Far Eastern countries showed a tendency to expand. (2) A general and heavy excess of imports into Italy over exports from Italy, which may be explained by Italy's need of certain raw materials and by her unfavorable competitive position as compared with more advanced industrial systems and larger commercial organizations of other countries; Italian exports to the Far East, however, showed a tendency to increase more rapidly than Italian imports from the Far East. (3) A distribution of trade over a large and varying number of goods.

The limited extent of commercial interests, the one-way movement of trade, and the fact that the Italian merchant marine was then actively engaged in the American routes, owing to the migratory movements of population, restrained Italian shipping from the Far East. The percentage of Italian vessels in Chinese ports amounted in 1905 to 0.03 and in 1910 to 0.02 of the total number of entries of Chinese and foreign vessels.

The Great War and Its Aftermath

The Great War found Japan, Italy and China on the side of the Allied Powers. No common interest contributed to their collaboration and no common policy developed among them. Japan's entry into the war in August 1914 had been determined by her traditional alliance with Great Britain and by a desire

² For detailed trade figures see Appendix.

to expand her Far Eastern influence through the occupation of the German sphere of interest in Shantung and the German colonial possessions in the South Sea Islands. Italy was drawn into the conflict in May 1915 by the promises written in the secret Treaty of London, which concerned some territories of the Austro-Hungarian Empire and certain colonial readjustments in Africa. China, under pressure from the Allied Powers, broke off diplomatic relations with the Central Powers in March 1917 on the expectation of the abolition of her enemies' special rights on her territory and of a revision of her treaties with the Allies.

The war brought about only minor changes in the relations between Italy and the Far East. On China's declaration of war, Italy agreed with the other Allied Powers to defer for five years all payments on her share of the Boxer Indemnity. Italian trade with the Far East showed very irregular movements, particularly on account of the alterations in exchange rates between the lira and silver currency. Italian exports to the Far East fell off while Italian imports showed a tendency to rise during the later part of the war. The number of Italian firms in China increased to 42 and the number of Italian citizens to 416; Italian shipping in China was also able to show some slight advance after 1916.

The Peace Conference left the three nations with feelings of dissatisfaction. Japan was eventually forced to withdraw from Shantung; China was refused the revision of her international treaties; and Italy could not obtain the territorial and colonial readjustments expected.

Italian diplomatic activity in the Far East immediately following the war was slight. Italy participated in the Allied Siberian Expedition of 1918-1920 against the Bolsheviks, to assist the retreat of the Czech troops from Russia; the Italian contingent was withdrawn in 1920. In 1919 the Italian Government endorsed the international agreement providing for an embargo on exports of arms and ammunitions to China, to remain in force until a unified Chinese government succeeded in obtaining a general recognition from the interested Powers.

A more intense activity could be noticed in the commercial field. In 1919 the *Credito Italiano*, one of the largest Italian

banks, brought about the establishment of a joint enterprise, the Sino-Italian Bank, with a capital of 1.2 million Chinese dollars subscribed by Chinese interests, and 4 million lire subscribed by the *Credito Italiano*. Offices were opened in Shanghai, Tientsin, Peking, and Hankow. Its object was to finance the import of Italian manufactures into China and the export to Italy of characteristic Chinese products, such as silk, seeds and skins. A second Italian banking institution, the *Banca Commerciale e Industriale per l'Estremo Oriente*, financed by private interests, opened in Tientsin in the early 'twenties. At about the same time the *Compagnia Italiana per l'Estremo Oriente* (Cideo), was founded in Shanghai for the marketing of Italian commodities. The Cideo was very active and succeeded in placing many Italian products, particularly felt hats and cloth, on the Chinese market.

The development of a commercial organization and the depreciation of the Italian currency (which declined by 1922 to 24.60 per cent of its pre-war gold parity) contributed to the revival of Italian export trade to the Far East, which rose to the peaks of 810 million lire in absolute value in 1920 and of 3.38 in percentage of total exports in 1922. Italian imports, on the contrary, showed an uneasy trend, decreasing in absolute and relative values. Italian shipping continued to gain in importance as compared with pre-war times: in 1922 the Italian flag represented between 0.09 per cent and 0.29 per cent of total shipping in China.

VESSELS ENTERED IN CHINESE PORTS, 1922

	Foreign Trade		Domestic Trade	
	Number	Tonnage (000)	Number	Tonnage (000)
Italian.....	13	46	168	7
Total.....	33,580	18,200	59,633	43,876
Per Cent.....	0.09	0.25	0.29	0.02

By 1922 also the number of Italian citizens in China had increased to 623; the number of Italian firms, on the contrary, remained stationary after the close of the war.

The relative position of the Italian group in the foreign community in China was possibly strengthened by the loss of the privileges of extraterritoriality suffered by the Succession States of Central Europe and by Russia. Many of its gains were, in

fact, due to the transfer to the Italian jurisdiction of activities formerly registered as Austro-Hungarian; citizens of the former Austro-Hungarian Empire born in territories ceded to Italy by the Peace Treaty of St. Germain generally took advantage of the option to become Italian citizens.

Among the nine Powers, whose representatives gathered in Washington in November 1922 for the discussion of Pacific and Far Eastern questions in connection with the Conference for the Limitation of Armaments, Italy was the one whose interests in the Far East were the most limited. Moreover, other and more urgent domestic and European problems were engaging her attention. When the Fascists seized the government in October 1922, Italy was following a Far Eastern policy of general coöperation with the other Western Powers and of strict neutrality on any particular issue. The new Italian régime did not deviate from this line of conduct, but nevertheless immediately brought about a change in the fundamental principles guiding Italy's Far Eastern policy.

CHAPTER II

ITALY'S POLITICAL RELATIONS WITH CHINA AND JAPAN

The Far Eastern policy of the Fascist Government has passed through three different phases: (1) from the rise of Fascism to power in 1922 to the Manchurian Incident in 1931, Italy contented herself with a series of readjustments of particular situations which had been created by the Great War and by the Chinese internal conflict; (2) from the Shanghai Incident in 1932 to the Ethiopian War in 1935, Italy strove to increase her influence in the Far East by friendly relations with the Chinese National Government; (3) from the Ethiopian War in 1936 to October 1940, Italy developed an increasingly closer coöperation with Japan.

The Fascist Government continued to make its Far Eastern policy dependent upon the fundamental trend of Italy's foreign policy, and particularly upon her relations with Great Britain. With the exception of the Corfu incident of 1924, settled with no great difficulties, the Italian and British governments remained on friendly terms throughout the years from the rise of Mussolini to power in 1922 to the Ethiopian War in 1935. During this period Italy maintained a friendly attitude toward the League of Nations and worked in collaboration with Great Britain in matters affecting the defense of Western interests in the Far East. After the rise of British antagonism against Italian expansion in East Africa, however, the Fascist Government shifted its European and Far Eastern policy to combine with the anti-British, anti-League forces. Relations with the Soviet Union had little or no direct bearing upon Italy's policy in the Far East, although the anti-communist element of Fascism contributed to bringing her in contact with anti-communist groups in the Far East.

Despite the friendly tone in relations with Great Britain, the Fascist régime since its beginning had made it clear, through

press and official declarations, that international collaboration was no longer to be the guiding principle of Italy's foreign policy. Any coöperation between Italy and the Western Powers in the Far East was not justified on the basis of a common interest between Fascist and democratic governments, but rather by the lack of Italy's direct and important interests which could be vitally affected by the policy of the other Western Powers.

1922 to 1931: Italy as Neutral Observer in the Far East

One of the first acts of the Fascist Government was the ratification of the Washington treaties, to which Italy was a party. The purpose of these agreements was the maintenance of the existing status quo in the Far East, by promises to respect the territorial and administrative integrity of China and the open door principle. The new head of the Italian Government, Signor Benito Mussolini, explained Italy's motives for ratifying these agreements in a speech delivered on February 6, 1923, before the Chamber of Deputies:

The fate of the Washington Conference was that of all other conferences: it opened with the greatest hopes, perpetual peace was thought to be a possibility. I confess I do not believe in perpetual peace. Of course, perpetual peace is to be found in the grave, but as far as nations are concerned, notwithstanding all the sermons ever preached and our highest aspirations, there is still one basic fact: racial ideals, progress, greatness and decadence of peoples lead to conflicts, which often find their solution only in force of arms. . . . It is not necessary to go into the matter of how far these agreements may further the cause of peace. These agreements mean a breathing space, a respite. It is useless to ask here whether some have applied for this respite and obtained it merely out of selfishness, or others out of pure idealism. . . .

These statements, based on the essential pragmatism which characterized the later policy of Signor Mussolini, give a clear idea of his opinion in regard to the value attached to the clauses of the Washington treaties, to their origin, and to their actual effects. The Fascist régime approved the Washington treaties, not because they were favorable to Italy, but because they did not contain any clause unfavorable to Italy. From this first act sprang the attitude which we mentioned above: cooperation with the other Western Powers, not because of a common

interest, but rather because of a lack of direct and important interests which could be vitally affected by the policy of the other Western Powers. Italian policy toward the Far East during the period from 1922 to 1931 remained consistently based on this postulate, accepting harmless things done because of not being in a position to do better.

During this period Italy proceeded, however, to readjust particular situations which had been created by the World War and the Chinese internal conflicts. In 1925 the Sino-Italian Bank, established in 1919, came to an end; the Chinese stockholders were paid off and the bank was reorganized as the Italian Bank for China, with a paid-up capital of U.S.\$1,000,000 held by the *Credito Italiano*. This bank played an important part in the readjustment of financial and political problems between Italy and China. Following the loss of extraterritorial rights by the Austro-Hungarian Empire after the war, Italy had taken over the protection of the bondholders of the so-called Austrian Skoda Loans, issued in Austria in 1912, 1913 and 1914 and involving contracts for ammunitions, torpedo boats and destroyers for China. These contracts were interrupted by the war and payments on the loans remained in default from the start. In 1922 the Sino-Italian Bank, acting on behalf of the bondholders of these loans, attempted to reach an agreement with the Chinese Government for the payment of capital and interest. In 1925 a consolidation scheme was finally put into effect by an agreement between the Italian Bank for China and the Peking Government, the terms of which put the original amount of the loans at £6,866,046. As nominal security the Italian interests accepted a first mortgage on the Peking octroi revenue, on the title-deed tax and on other government income, but the payments on capital and interest have continued to remain in default.

After the five years deferment granted to China in 1917, the Chinese Government in December 1922 offered payment in paper currency on the Italian share of the Boxer Indemnity. This was refused, and payment in French gold francs was insisted upon. Finally a settlement of the controversy was reached in 1925. The Italian Bank for China agreed to discount, at the rate of 9 per cent, the residue of the debt due from the Chi-

nese Government to the Italian Government, estimated at 91,146,704.05 French francs. The Italian Government agreed to accept payment of the whole outstanding amount in paper currency from the Italian Bank. The Chinese Government agreed to refund the Italian Bank by monthly instalments in U.S. dollars, which were to be exchanged into French francs by the bank itself. It was further decided that the whole sum, when fully repaid, was to be placed at the disposal of a Sino-Italian commission, for the purpose of devoting the funds to educational and philanthropic undertakings and public works. Notes regarding the details of the remission of the Boxer Indemnity were exchanged in 1927. The materials for the public works (which included bridges, river conservancy, port and city improvements) were to be purchased in Italy; Italian and Chinese engineers were to be employed in equal proportion. By the end of 1931 the whole obligation due to the Italian Government had been paid; however, the diplomatic notes of 1925 and 1927 remained ineffective, owing to the interim change in the Chinese Government.

In the political and diplomatic fields there were signs of a more active interest taken by Italy. In 1924 rumors circulated that Italian marines were supplying arms to Northern militarists, in violation of the spirit of the arms embargo to China agreed upon in 1919. A large quantity of Italian arms, imported into Chingwangtao in 1919 on a Japanese ship, was removed to Tientsin and subsequently to Sanchiatien, near Peking, ostensibly for safe-keeping, but possibly for sale to Chinese generals. In April 1925 Italian artillery instructors were reported to be attached to the Headquarters of General Feng Yu-hsiang in Kalgan. It seems likely that such actions, if taken, were on the initiative of local Italian officials rather than dictated from Rome as a matter of general policy.

The Chinese military and political crisis during the Nationalist Revolution in 1927 found Italy aligned with Great Britain, the United States, France and Japan. Italian warships coöperated in the evacuation of foreign residents from the whole Yangtze area. Italy joined the other Powers in presenting a note of protest for the Nanking incidents (in which an Italian missionary was killed) and received, like all other Powers con-

cerned, an unsatisfactory reply from Mr. Eugene Chen. The crisis was finally settled with the establishment of the new Chinese National Government under the control of the Kuomintang divorced from the communist influence.

Relations between Italy and the new National Government began in June 1928 with the denunciation, from the Chinese side, of the treaty of 1866. The Italian Government refused to agree to the termination of it, pointing out that the Chinese Government had only a right to ask for a revision of tariffs and other economic clauses of the treaty. A new preliminary treaty of amity and commerce was finally agreed upon by the two governments and signed on November 27, 1928. It is worth noting that Article 1 of the new treaty granted to China tariff autonomy and Article 2 abolished Italy's extraterritorial rights. The application of this article, however, was suspended until January 1, 1930, and thereafter made conditional on the abolition of extraterritoriality on the part of all signatory Powers of the Washington Agreements.

Relations between Italy and Japan remained most cordial throughout the period from 1922 to 1931. The Japanese showed a lively interest in Italian affairs and in the Fascist corporative political and social organization. Nationalist groups eagerly took inspiration from the Fascist doctrine and the spread of Fascist ideas reached its height during the late 'twenties and the early 'thirties, in which period the personality of Mussolini became increasingly popular in Japan.

When Japanese troops invaded Manchuria in the autumn of 1931, Italy was the only great Power in a position to adopt an impartial attitude, in accordance with her friendly relations with both countries involved in the conflict and because of the absence of economic interests which could be seriously affected by the conflict itself. It should be pointed out that Italy's attitude at the time was in harmony with the principles of co-operation held by the League of Nations and her action was exercised within the framework of the Geneva system. An Italian diplomatic representative, Count Aldrovandi, was appointed among the five members (British, American, French, German and Italian) of the Lytton Commission of Inquiry,

sent by the Council of the League to investigate the Manchurian Incident.

1932 to 1935: Italy's Assistance to China

When the Sino-Japanese conflict extended to Shanghai in January 1932, the Western Powers took immediate steps to protect their local interests. As soon as it was decided to place the International Settlement on an emergency footing, Italy sent her contingent along with the forces of other countries and dispatched the warships *Trento* and *Espero*, which joined the gunboats *Carlotto* and *Caboto*, stationed permanently in Chinese waters.

In the diplomatic field, Italy was placed in a particularly advantageous position by her increased importance in European politics, her relatively small interests in the Far East and her friendly relations with both Japan and China. Italy's attitude to the Manchurian Incident was clearly stated by Foreign Minister Signor Dino Grandi, in a speech to the Chamber of Deputies on May 4, 1932:

The conflict between China and Japan concerns us . . . directly, both from the general point of view of the maintenance of peace, and from a special point of view, namely, that of the protection of our political and commercial interests, which are by no means negligible in those regions. The conflict between Japan and China has been, still is, an event of great importance, to which the Fascist Government has devoted in the past, and continues to devote, its vigilant attention. . . . Since the beginning of the conflict the Fascist Government has adopted an attitude of impartiality. It has aimed at full coöperation with the Powers most interested in the Pacific, both to prevent the conflict from spreading and to obtain a speedy and equitable solution. At the same time it took, and still takes, great care that our political interests in the Far East and the interests of Japan in China shall be effectively protected. . . . The policy of the Fascist Government is inspired and directed by the principles contained in the Covenant of the League of Nations, the Nine Power Treaty signed in Washington in 1922, and the Kellogg Pact. . . . In our concern and preoccupation over the conflict we are not motivated by our own petty interests alone. It directly touches our general political interests, concerns the present balance of power in the Pacific States, affects certain situations wholly or partially regulated by treaties, to which we have subscribed along with the other Powers, with whom we coöperate politically and economically. . . . Those reasons should not make us abandon the hope that by the coöperation of the Powers concerned in the maintenance of peace in the Far East, the

conflict may, in a not distant future, reach an amicable and satisfactory settlement.

Minister Grandi describes Italy's Far Eastern policy as continuous vigilance for the defense of Italian interests and for the maintenance of peace, in coöperation with the member states of the League of Nations and with the signatory governments of the Nine Power Treaty and of the Kellogg Pact. The Italian delegates at Geneva followed closely the British initiative and joined the British, French and German colleagues in a collective endorsement, by the Assembly of the League, of the American policy of non-recognition of "any situation, treaty, or agreement which may be brought about by means contrary to the Covenant of the League of Nations or to the Pact of Paris." The government of Rome joined the governments of Washington, London and Paris in successive diplomatic steps at Tokyo and Shanghai and in diplomatic negotiations with the Japanese and Chinese governments.

In February 1932 the Italian Chargé d'Affaires in China, Count Galeazzo Ciano, was appointed Chairman of the Consular Commission of Inquiry set up in Shanghai by the Council of the League of Nations and entrusted with the task of making investigations into the local situation as requested by the Council. The Commission did not limit its work to a mere inquiry into the material facts, but advanced a proposal for the establishment of a neutral zone in the International Settlement, which was refused by the Japanese authorities; the findings, summarized in four reports signed by Ciano, were, however, of the greatest importance to the Geneva discussions. At the beginning of March 1932 diplomatic conversations, first of a semi-official and later of an official character, were begun in Shanghai between Chinese and Japanese military authorities. Italy participated in them, and the Italian Chargé d'Affaires, together with the British, the American and the French Ministers to China, lent his active coöperation to bringing about the Sino-Japanese truce, successfully concluded on March 21, 1932.

During this period Italy's relations with China had become very close. After throwing off the Soviet influence in 1928, General Chiang Kai-shek had embarked on a reorganization of

the nation in a somewhat totalitarian form and on a decidedly anti-communist policy. Interest in the Italian type of state was spreading in China in 1931, when Count Galeazzo Ciano, son-in-law of the Italian Premier, was appointed Chargé d'Affaires to Nanking. This appointment revealed the keen interest Italy was beginning to take in the Far East. The prestige of the new Chargé was undoubtedly enhanced by the prominent part he played in the Shanghai incident, during which he came into intimate contact with Chinese military leaders. During the years of his residence in China, from 1931 to 1933, he devoted his energies to encouraging cultural and political relations and to fostering commercial exchanges, thus initiating a close friendship between Fascist Italy and Nationalist China. The situation which was developing in the Far East and Italy's position toward the Orient were described by Signor Mussolini in a speech delivered at the inauguration of the first Convention of Oriental Students in Rome, at the close of 1933:

I remember that someone said, and many people have repeated it after him: "East and West will never meet." History does not bear out this statement. Twenty centuries ago Rome achieved on the shores of the Mediterranean a union of East and West which had the greatest importance in the history of the world. . . . Since then, the Orient has been subordinate to the Occident and the relations between East and West have been merely material. . . . The opinion that Asia was antagonistic to Europe became a widespread prejudice . . . according to which Asia was merely a market for commodities, a source of raw materials. . . . This civilization having its roots in capitalism spread over the whole world during the past century. Its failure in all parts of the world is reflected in the reaction against liberal and capitalistic degeneration. . . . So we really see the reflection of our own troubles in the evils of which Asia is complaining, and in its resentment and reaction. The difference is one of form and detail: the origin is the same. . . . As in other times of mortal crisis the civilization of the world was saved by the coöperation of Rome with the East . . . we Italians and Fascists of this period hope to be able to return to the common century-old tradition of constructive coöperation.

This pledge of constructive coöperation given by Signor Mussolini to the Oriental students was shortly afterwards followed by the founding in Rome of the Italian Institute for the Middle and the Far East, with the object of promoting and developing cultural relations between Italy and the countries of central, southern and eastern Asia. Cultural exchanges be-

tween Italy and Thailand, China, and Japan were thus promoted and developed by awarding scholarships to students in those countries who wished to matriculate in Italian universities and by the establishment of chairs of Italian language and culture in Oriental universities.

This cultural activity was only a part of the attempt to increase the political influence of Italy in the Far East. From 1931 to 1934 several Italian scientists were commissioned by the League of Nations as technical experts to the Nanking Government (Signor Sardi for Educational Cinematography, Dr. Mari for Sericulture, Professor Dragoni for Agriculture, Signor Omodeo for Hydraulic Engineering). In 1933 the Italian Government sent a high diplomatic official, Attilio Lavagna, to Nanking as a Legal Counselor for the reform of the Chinese Penal Code. In 1936, following the visit of Sir Frederick Leith-Ross to China, which had been received in Italy with some misgivings, the Italian Government took under advisement the sending of a prominent Fascist personality as an adviser to Generalissimo Chiang Kai-shek. Former Minister of Finance Alberto de Stefani was chosen for this task and sent to Nanking as financial expert, but his mission (March to October 1937) was interrupted by the outbreak of hostilities between China and Japan. Moreover, to demonstrate the friendly relations between Italy and China, the Rome and Nanking Legations were raised to the rank of Embassies in 1935.

Despite their importance, these cultural and diplomatic maneuvers were overshadowed by the Italian assistance to China in the field of military aviation. The employment of bombing aircraft by the Japanese during the Shanghai hostilities in January-March 1932 and the obvious inferiority of the Chinese forces in this type of warfare gave a great impetus to military aviation in China. Italy's assistance to China in this field was also evidently facilitated by a financial agreement between the two governments.

During the visit paid by the Chinese Minister of Finance, Mr. T. V. Soong, to Rome in the summer of 1933, the exchange of notes of 1927 between the Italian and the former Chinese Government, regarding the conditional remission of the Italian share of the Boxer Indemnity, was nullified. A new agreement

was signed, by which China was to receive the unconditional return of the outstanding portion of the Boxer Indemnity, except an amount of 70 million lire to be retained by the Italian Government to meet various claims of Italian nationals against China. Although the remission was expressed in an unconditional form, it was specifically indicated that it was granted in order to assist China in developing industries. The Chinese Ministry of Finance, consequently, contracted a loan of 44,000,000 Chinese dollars from the Chinese banks of Shanghai, secured by the remitted Italian portion of the Boxer Indemnity.

There is a coincidence of dates which seems not to be merely accidental, but rather to indicate a close connection between this financial agreement and the assistance given by Italy to China in the field of military aviation. An Italian Air Mission, headed by General Lordi, arrived in China in October 1933 and was stationed in Nanchang (Kiangsi). It enjoyed an avowed military status from the outset. In April 1934 the Bureau of Aeronautics of the Nanking Government was removed from Hangchow (Chekiang) to Nanchang, then Military Headquarters of Generalissimo Chiang Kai-shek's anti-communist campaign, and General Lordi was appointed Chief Adviser of the Bureau. The Mission consisted of some twenty Italians, who coöperated actively in the anti-communist drive and were appointed advisers and instructors to the military aviation schools of Nanchang, Loyang, Hangchow and Nanking. General Lordi was succeeded in August 1935 by General Scaroni, who flew out from Rome in a Savoia-Marchetti machine, which Signor Mussolini presented to Generalissimo Chiang Kai-shek. Aircraft of Italian make, Breda, Fiat, Caproni, Savoia-Marchetti, were used for field training. A number of air cadets were sent every year to Italy for advanced training.

In 1934 a project for a joint Sino-Italian enterprise for the construction and operation of an aircraft factory and assembling plant appeared to be making headway. An Italian Aeronautic Consortium for China was founded in September 1934 by the largest Italian manufacturers of aircraft parts with a capital of 5 million lire and offices in Milan and Shanghai. The purpose of this Consortium was to effect a more active commercial and

industrial penetration into China. The Consortium enjoyed active support from Italian diplomatic representatives and from the Italian Air Mission in China. An agreement was eventually reached between the Italian Consortium and the Chinese Government and the Sino-Italian National Aircraft Works was incorporated under the Italian law, with a capital of 60,454 Chinese Customs Gold Units.¹ The ground work for the factory and the plants was started during 1935 at Nanchang, where a nucleus of the Italian Air Mission continued to be stationed. The Italian Consortium financed the enterprise in the form of delivery of materials and machinery on long term credit (which amounted to the substantial figure of 2,272,460 Gold Units in the balance sheet of March 31, 1938), and maintained a technical control over the enterprise by the employment of Italian engineers and specialists. Production on a limited scale was started in April 1937, and in the following September, despite frequent bombing by the Japanese, the flying tests of the first big war plane manufactured by the factory were begun. In a letter of December 13, 1937, Dr. T. L. Soong highly praised the Italians and the Chinese, who "have been and are performing their work in full swing and uninterrupted."

In 1936, when the Italian political attention was already turning favorably toward Japan, the possibility seemed to have arisen for Italy to extend her assistance to the field of navigation. Italian experts were invited to make a study of the river defenses of China, and a plan of financial and technical assistance to the China Merchants' Navigation Co., possibly prepared by Chinese authorities, was made the object of informal inquiries among Italian officials in Shanghai. This company had been taken over from private interests by the Chinese Government in August 1934 for the purpose of reorganizing it and eventually developing a national merchant marine. Since British interests were maintaining financial control of the company, it was proposed that Italy should assist the company in the liquidation of British credits and contribute to its reorganization and development with financial, technical and material

¹ One Gold Unit equals 0.40 old U.S. dollars or approximately 0.67 current U.S. dollars.

assistance. This plan, however, failed owing to the change in the Italian-Chinese political relations.

Aside from the commercial profits expected from these transactions, there was on the part of Italy, whose position in Asia was never one of special privilege, a genuine desire to help China in the work of political and economic reconstruction. The purpose was, evidently, to gain a political influence in the Far East by establishing friendly and close relations with China on a new basis of equality, while the other Western Powers were slowly forced back from their privileged positions. The thought of Rome as a dominating mediator between the West and the East was growing during those years in the mind of Signor Mussolini. Italy, undoubtedly the least directly hit among the Western Powers by the Asiatic upheaval, was in his opinion the best suited to make a kindly gesture toward the Asiatics.

It may, however, be suggested that Italian confidence in the ultimate results of the work of reconstruction in China was none too great. The opinion was current among Italians in China that, if Chiang Kai-shek's government were to succeed, Italy could benefit by the policy followed; if, on the contrary, it failed, the best policy of Italy was to hold pawns on which to file claims, along and against those unavoidably advanced by the other Powers. The plan of assistance to Chinese navigation was examined from this point of view. In defense of this plan a high Italian official pointed out that in case the reconstruction of China could not be successfully achieved, Italy could use her hold on the Chinese merchant fleet for political, and possibly for territorial, concessions. Among other Italians, though at China's service and most friendly toward her people and her government, the possibility was quite openly discussed of a military action, centering in the air bases of Nanchang (Kiangsi) and aimed at the sea coast of Chekiang and Fukien, in order to seize for Italy that portion of Central China, in case war with a foreign Power or internal revolution provoked international military intervention and, eventually, a partition of China between Eastern and Western Powers.² These

² According to Major Evans F. Carlson (*The Chinese Army*, Institute of Pacific Relations, 1940, p. 46), "none of the elaborate aerial survey mosaics,

feelings of doubt on the coming developments in the Far Eastern situation were expressed by Signor Mussolini himself in an article written for the "Universal Service" and published in his own paper, *Il Popolo d'Italia* of January 18, 1934:

Japan is at the present time going through a period of imperialistic dynamism. . . . What fate is in store for China? There is no question but that the whole immense organism of China is undergoing a profound disturbance. . . . The future of the white race and of civilization in the Far East, and the destiny of the Pacific now depends on what China is going to do in the course of the century. Can one imagine China to be totally antagonistic to Japan? And for how long? It is reasonable to advance other possibilities, among which is that of an agreement between China and Japan. Who can exclude the possibility that this alliance might be directed against Europe and America? China has the right to feel bitterly disappointed in her fate. Europe failed to assist her, the League of Nations revealed its impotence. . . . We have no reason to believe that Americans and Russians would fight side by side if Japan attacked Russia or proceeded to further conquests in China. . . . The truth is that Japan is no longer bound by agreements of international character and has a free hand both in peace and in war. The choice depends on her. . . . The yellow peril will remain in the realm of fantasy if the great Powers of the white West realize the necessity of political cooperation, and if a compromise is attempted between the two types of civilization.

In fact, while Italy was striving for political influence in China and the Far East, her relations with Japan were becoming uneasy. By leaving the League of Nations in 1933, and denouncing the Washington Naval Treaty in 1934, Japan had finally freed herself from the legal ties which prevented her from carrying out her plans of Asiatic expansion. From the Stresa Conference of 1932 to the Stresa Conference of 1935 Italy, on the other side, had aligned herself more closely with England and France and the League of Nations and coöordinated her diplomatic action with any step taken by the Western Powers for the maintenance of the Far Eastern status quo. Italy's assistance to China was, undoubtedly, the crucial point for Japan, and on April 18, 1934, Mr. Eiji Amau, the spokesman of the Japanese Foreign Office, issued a statement enunciating a principle which was regarded abroad as the first official declaration of an Asiatic Monroe Doctrine. This statement does

which the Italians had made of the Nanking-Hangchow-Shanghai triangle, was to be found."

not refer specifically to any country, but it acquires a special significance in view of the fact that at the time when it was issued the head of the Italian Air Mission had been appointed Chief Adviser to the Bureau of Aeronautics of the Nanking Government and negotiations were seemingly under way between Italian industrialists and the Chinese Government for the construction of the Nanchang aircraft factory. This statement reads in part:

Supplying China with war aeroplanes, building of aerodromes in China and detailing military instructors or military advisers to China, or contracting a loan to provide funds for political uses would obviously tend to alienate friendly relations between Japan, China, and other countries and to disturb peace and order in Eastern Asia. Japan will oppose such projects. The foregoing attitude of Japan should be clear from policies she has pursued in the past, but on account of the fact that positive movements for joint action in China by foreign Powers, under one pretext or another, are reported to be on foot, it is deemed not inappropriate to reiterate her policy at this time.

The Italian press took, during 1934 and 1935, a strong anti-Japanese attitude, charging Japan with harboring imperialistic designs on Abyssinia and the Mediterranean area. The position assumed by the Italian press was clearly interpreted by an article appearing in the authoritative *Rassegna di Politica Internazionale*, of June 1934. Following are extracts translated from the article:

Italy is developing in China at the present time a rather active interest in all fields (navigation, Chinese fascism, Catholic missions).

While Italy endeavors to maintain her prestige and to enhance her influence in the Yellow continent, Japan is attempting to assert her dynamic imperialism in the opposite direction, toward the Mediterranean. Late in 1933 a rumor circulated of an agreement reached by the Japanese and Ethiopian governments, by which Abyssinia seemingly granted to the Empire of the Rising Sun concessions for cotton growing and openings for Japanese immigrants. The Italian press gave immediate consideration to this first appearance of Japan in Africa, owing to the fact that our commercial penetration in the Black Continent is directed, and rightly so, to Abyssinia. At the same time the Fascist press has directed its attention to the problem of Japanese competition in Europe, and specifically in the Mediterranean area. The Italian press also reacted against the new Japanese policy in China. . . . Our official quarters follow with great attention the development of Japanese expansion in the Far East and China as well as in the Indian Ocean and Africa and in the Mediterranean area,

and in every other part of the world where there are Italian interests to be protected

The Italian Government has asked the Japanese Government for explanations. In its answer, the Japanese Government has given to the Italian Government the same guarantees previously offered to the United States, to Great Britain and to France. Italy, while accepting Minister Hirota's declaration that the existing treaties will be respected, pointed out that a policy directed to the exclusive control of China would be dangerous. Italy took a stand against Japan's aim to establish an hegemony over China, because she is of the opinion that all nations may find there the opportunity of increasing their products and developing their initiatives through a collaboration directed to bring this large and rich country in the group of great Powers. From this point of view we may say that we probably are only at the beginning of an Italian-Chinese coöperation.

With the growth of the Italian-Ethiopian controversy during 1935 Japanese public opinion became decidedly hostile to Italy. Contributing to this attitude, besides the Italian military assistance to China, there were other political, racial, and economic motives which may be summarized as follows: resentment against the Italian coöperation with the League of Nations during the Manchurian incident; a tendency to defend a colored race against white imperialism; and fear of losing the Ethiopian market, in which Japanese commerce was believed to be making headway. The nationalist organizations, particularly active in this campaign against Italy, sent letters of protest to Signor Mussolini, issued declarations of solidarity with Ethiopia, and brought pressure by every means on the government, urging it to take action against Italy. This agitation threatened Italian-Japanese diplomatic relations and on July 15, 1935, the Japanese Ambassador to Rome, Mr. Yotaro Sugimura, went to see the Italian Premier. Following this visit, the Italian official news agency issued this communiqué:

The Duce has received the Japanese Ambassador, who, on instructions from his government, declared formally that Japan does not have any intention of intervening in the Italian-Abyssinian conflict and does not have any political interest in Ethiopia.

The interpretation offered by the Italian controlled press on this official statement, that Japan had no intention whatever of interfering in the controversy and that Japan had no economic or other interests in Ethiopia, aroused a violent reaction

in the Japanese press. It is not clear whether this interpretation coincided with the substance of Mr. Sugimura's declarations, or whether it was an arbitrary deduction for purposes of political domestic propaganda. On July 17 the Japanese Foreign Office issued an official statement, explaining that when Ambassador Sugimura left for Italy in December 1934 he was authorized to dispel Italian suspicions that Japan had political interests in Ethiopia, but adding that "Ambassador Sugimura exceeded his instructions when he informed Signor Mussolini that Japan was not interested in the political aspects of the Ethiopian question and would not interfere in any circumstances." Japan's attitude was one of watchful waiting, the statement concluded—an attitude which reminds one of the "vigilant attention" of the Italian Government regarding the Manchurian question. This diplomatic incident was followed by a violent, but short-lived polemic between the Italian and the Japanese press. By the end of July 1935, however, the basis of a common entente between Italy and Japan was already in view.

1936 to 1940: Italian-Japanese Diplomatic Coöperation

The developments which the Ethiopian war brought about in the European political position of Italy had a decisive and almost immediate effect upon her Far Eastern policy. As it was becoming clearer day by day and at an increasingly fast tempo that the Ethiopian campaign would provoke the collapse of the Stresa front and the end of Italy's coöperation with England, and that Great Britain would take a firm stand against Italian expansion in East Africa, Japan's attitude toward Italy gradually underwent a change: Great Britain against Italy in the Mediterranean and in the Red Sea and Great Britain against Japan in the Pacific was soon envisaged as an excellent basis for an Italo-Japanese entente. When Italy in October 1935 found it necessary to sever her coöperation with the League of Nations for the duration of the economic sanctions, the similarity of the situations in which Italy and Japan found themselves was plainly understood by Japanese and Italian public opinion.

Already at the end of July 1935, however, the Japanese press was changing its anti-Italian views and pointing out the inad-

visability of any form of Japanese intervention in Africa. The shifting of public opinion was due especially to the influence of Japanese military circles, which considered the political situation from a strategic point of view directed against British interests in China. Other factors, however, contributed to the shift. From reliable sources in Tokyo it was mentioned that an economic mission sent by the powerful Mitsui interests to Ethiopia before the beginning of the hostilities had made an unfavorable report on the prospects of economic utilization of local resources by Japan. Rumors that Japanese interests had obtained land leases from the Addis Ababa government were not confirmed by the Tokyo Foreign Office. The Japanese Ambassador in Rome, Mr. Sugimura, gave strong support to a policy of agreement between Italy and Japan and influenced his government in the direction of improved relations with the Italian Government. During the course of the Ethiopian war the government at Tokyo maintained a correct neutral attitude.

Soon after the Abyssinian conflict was over, in the middle of 1936, it was reported in authoritative circles of Tokyo that a high Italian diplomat was there making informal inquiries concerning the possibility of reopening the Italian Consulate-General at Mukden, but the Italian Embassy was keeping purposely aloof. At about the same time the new Japanese Chargé d'Affaires to the Legation in Addis Ababa was refused a visa by the Italian authorities, because Ethiopia had become an Italian territory. The Japanese Ambassador in Rome suggested that the new Chargé be allowed to go to Addis Ababa as Secretary to the Japanese Embassy in Rome, and the political significance of this expedient was readily appreciated by the Italian Foreign Office. In November of the same year (1936) official negotiations were begun in Rome for changing the Japanese Legations in Addis Ababa into a Consulate General and for reopening the Italian Consulate General in Mukden, thus recognizing *de facto* the annexation of Ethiopia by Italy and the existence of Manchoukuo. This was done on December 1, 1936. On that occasion the Japanese Government, with a view to securing the various rights and interests Japan had derived from her treaty of commerce and amity with Ethiopia, proposed to the Italian Government the conclusion of a commercial agreement. The proposal

was accepted and negotiations were conducted in Rome first by Ambassador Sugimura and then by Ambassador Hotta.

Relations between Italy and China were meanwhile passing into a phase of coolness. On December 3, 1935, the Chinese Government, in accord with the League of Nations, had issued instructions for the application of economic sanctions against Italy; these restrictions on commercial intercourse remained in effect until July 15, 1936. At the beginning of 1937 an attack by a group of Italians, with the alleged participation of an Italian Vice-Consul, against a Shanghai movie-house showing a Soviet picture on the Ethiopian war, brought about a sharp but ineffective protest of the Chinese Embassy in Rome. At the outbreak of the hostilities between China and Japan in July 1937, the rapprochement between Italy and Japan had already gone so far that the Italian Air Mission to China was ordered by the Italian Government to refrain from any activity connected with the war and was finally recalled in September 1937.

On December 15, 1937, the Chinese Government representative of the aircraft factory at Nanchang informed the Sino-Italian National Aircraft Works that his government had decided to take over the enterprise and that, due to the military exigencies, the machinery and materials were to be removed immediately from Nanchang, and the Italian personnel sent away. All the assets of the company were therefore handed over to the government representative, together with a letter of protest for the violation of the "payment first" clause stipulated in the agreement between the Italian Consortium and the Chinese Government. The situation required a settlement, as the factory had been deprived of all its assets, and this fact produced a reaction on the part of banks and other creditors. Amicable negotiations started and Minister Kung expressed the official Chinese point of view in a memorandum dated April 18, 1938, sent to the Italian Embassy in Shanghai. In this memorandum it was stated, *inter alia*, that the government representative "had no authority whatever to deal with the question of taking over the factory" and that, in consequence, the factory had not been "taken over," but "rather the operations have been temporarily suspended under circumstances of *force majeure*." According to this interpretation, the Italian Consortium keeps all

its rights over the factory, now in Japanese-occupied territory, and over the machinery and materials supplied, now possibly somewhere in Free China. The Italian technicians and specialists left Nanchang on December 17, 1937, and were evacuated by an Italian gunboat. The supply of arms and ammunitions by Italian firms continued, however, during the whole of 1937 and possibly later, through Chinese ports and Singapore. The Italian Ambassador to China was reported during the early period of the hostilities as making peace overtures to China and Japan. During the latter part of 1938, Italian and Chinese policies moved decidedly apart and with the transfer of the Chinese Government to Chungking relations between Italy and China became no more than nominal.

In the meantime, the cordial relations between Italy and Japan were further strengthened by the signing of the Italian-German alliance. During the last week of September 1937 a five-day visit of Signor Mussolini to Herr Hitler consummated the Rome-Berlin Axis, established one year before by the visit of Count Ciano to Berchtesgaden, and prepared the way for Italy's adherence to the German-Japanese agreement against the Communist International (the so-called Anti-Comintern Pact), signed on November 25, 1936.

The Italian press scarcely referred to the Sino-Japanese conflict during the first three months of hostilities. A few days after the return of Signor Mussolini to Rome, on October 6, 1937, the authoritative *Popolo d'Italia* carried an article on the *élan vital* of Japan, which, it was declared, Italy understood and approved. "Japan," the writer explained, "is not formally Fascist, but she is anti-Bolshevist, and the trends of her policy and her people bring her into the fold of fascist states." Two days later Signor Gayda published an article in the *Giornale d'Italia*, in which he vigorously defended Japan's "work of purification in China," and attacked President Roosevelt, Great Britain, and the League of Nations. On October 9 the Japanese Government was reported to have expressed its thanks to Signor Mussolini through the Italian Ambassador in Tokyo for Italy's attitude toward Japan. In the meantime secret negotiations were conducted at Rome between the Italian Foreign Minister, Count Ciano, the German Ambassador to London, Herr von

Ribbentrop, and the Japanese Ambassador to Rome, Mr. Hotta, for the formation of an anti-Comintern triangle. On November 6, 1937, rumors of Italy's imminent adherence to the German-Japanese agreement were confirmed by the signature at Rome of the Tripartite Pact between Germany, Italy and Japan.

The new pact consisted of a protocol, constituting "an integral part" (Article 3) of the German-Japanese agreement, by which Italy was to be "considered as an original signatory of the agreement . . . the signature of the present protocol being equivalent to the signature of the original text of the agreement" (Article 2). In the preamble of the protocol, the governments of Italy, Germany and Japan proclaimed their belief that "the Communist International continues constantly to endanger the civilized world in the West and East, disturbs and destroys its peace and order," and that "close coöperation between all states interested in maintaining peace and order can alone diminish and remove this danger." After the signature Count Ciano declared in a short speech that the pact had no secret aims, that it was not directed against any other state, and that other states were at liberty to join it. The Bureau of Information of the Japanese Foreign Office issued, after considerable delay, a long statement endeavoring to defend the working of the German-Japanese agreement of 1936 in connection with the Sino-Japanese conflict and to explain Italy's participation. Extracts from this statement are given below:

Germany and Italy have since been fighting vigorously as the two leading nations in the united front against the world-wide Red menace. It is entirely natural that Italy should participate in the international coöperative movement for defending world civilization from the destructive international movement.

The emergence of the Japanese-German-Italian agreement, as has been pointed out in an American press opinion, has had an important bearing upon world affairs as "giving an example to the European countries which are at a loss which way to turn." Accordingly, the agreement, despite the plain fact that it has no particular country as an objective, is not exclusive in nature and has no territorial motives, has created unfair criticism in certain quarters of the Western world on the false assumption that the new agreement has a far-reaching aim of territorial expansion under cover of anti-communism. . . .

Another view has been expressed that the united front of Japan, Germany and Italy has essential vulnerabilities in German-Italian relations in

respect to the Danubian question and in Japanese-German and Japanese-Italian relations in respect to economic interests. This view is apparently based on a lack of comprehension concerning the coherent spiritual union of the three nations which will "prove to be infinitely valuable in international relations," according to an Italian press opinion, "going beyond the defense against the operations of the Comintern and promoting friendly relations between the three countries." The strength of the spiritual union of nations based upon the community of ideas in respect to anti-communism and nationalism, as it exists now between the three nations, will be attested by future events.

The organization of the United Front against the Comintern, a line of defense extending from East to West, connecting Tokyo, Rome and Berlin, constitutes an impressive chapter in the history of modern diplomacy. . . . It should be added that such spiritual union, by nature, cannot be so frail a tie as to be influenced or harmed by internal or external affairs of the countries concerned. In other words, the fact that Japan has a policy totally different from those of Nazi Germany and Fascist Italy in no way prevents the three countries from being spiritually united. To speak of Japan as being converted to fascism by the conclusion of the present agreement denotes either propaganda of a malicious nature or a fallacious viewpoint.

Despite these justifications, it is easy to conceive that the Tripartite Agreement had a much more important character, and one somewhat different from that formally attributed to it. The new pact was signed at a time when Japan was engaged in a war with China, Italy was engaged in military assistance to General Franco in Spain, and Germany was preparing for a revision by force of European boundaries. The new pact gave to each of them greater individual freedom by guaranteeing a united political action against interference from other Powers. The Anti-Comintern Pact was regarded as being in essence a "counter-covenant," providing for diplomatic and political co-operation, though not for a military alliance. In harmony with the new policy, Italy definitely withdrew from the League of Nations on November 11, 1937.

The Brussels Conference, called by the Belgian Government under the Nine Power Treaty of Washington of 1922 and held from November 3 to 24, 1937, offered to Italy the first opportunity to demonstrate the nuisance value of the political ties uniting her to Japan. Italy had agreed to be represented at Brussels before signing the Tripartite Agreement, and because of the absence of the Japanese and German representatives she

was the only member of the anti-Comintern bloc taking part in the Conference as a signatory of the Nine Power Treaty. In the inaugural address to the Conference, the Italian representative, Count Aldrovandi, declared that Italy's part in the Conference was strictly limited to the objects outlined in the invitation, i.e., the examination of the situation and the study of possible peaceful solutions. And he went on to say:

Thus it is clear that there can be no question of any direct or indirect coercive measures such as have been called for in certain irresponsible quarters nor even of a more or less moral "quarantining" of one or other of the parties in the conflict. . . .

Therefore, what should be the practical rôle of our Conference, if, as in the present case, one of the parties is not represented?

Our "full and frank communication" can have no meaning except for ourselves and between ourselves and it will not stop the conflict unless we succeed in our main object, namely to lead the two parties toward a peace—and a lasting peace—by bringing them together and by persuading them to look straight ahead and eliminate the hidden and deep-rooted causes of their dissension. . . .

Having said this with the greatest frankness, the Fascist Government must reserve its opinion as to the results of a Conference which, however amicable the means employed, can lead to little more than "platonic resolutions," and a further revelation of impotence unless it takes into account the realities I have mentioned.

Now that we have met, the only useful thing we can do is to invite the two parties to establish direct contact and leave the matter there.

The Italian attitude was tantamount to an assertion that the Conference was powerless to apply the principles of the Nine Power Treaty and of the League Covenant to the situation in China. The representatives assembled at Brussels made a final effort to bring Japan to the Conference table, and with her refusal it became the general opinion, as expressed by the American delegate, Mr. Davis, that "the only just and durable solution would be a settlement by voluntary peaceful agreement." The idea of any exercise of collective pressure was explicitly excluded, and in this regard the Italian delegate noted that it was beyond the scope of the Conference, whose task was to "limit its efforts to finding a way of reestablishing peace." Thus the only result of the Conference was a vote of censure against Japan. On this issue the Italian delegate dissented, regarding the motion "as a door open not toward the settlement

of the conflict, but rather toward the most serious complications." At the final seance of the Conference, Count Aldrovandi summed up his attitude in the following terms:

At the very first meeting I expressed doubts as to the usefulness of the present Conference. My doubts have proved to be well founded. Therefore nobody can find more natural than I do the adjournment of the Conference. I should even find its dissolution natural. I therefore declare myself favorable to the adjournment as proposed. At the same time I declare that I do not accept the arguments put forward in the document in question, and therefore I cannot give my vote in favor of its adoption.

The failure of the Brussels Conference was received in Italy with satisfaction. The *Popolo d'Italia* of December 1 carried an article, presumably written by Signor Mussolini, under the heading of "Brussels," in which the opinion was expressed that it was impossible for England, the United States and France to stem the tide of Japanese expansion or to aid the precarious domestic situation of the Soviet Union, and that it was to the interest of China to come to an agreement with Japan. "It is impossible to run counter to the course of history," the article concluded. "To try to repress the irresistible impulses in the life of nations is simply absurd. . . . It is common knowledge now that the guns booming in the Far East will always be more audible than any motion introduced in Geneva or elsewhere, now or in the future."

In the meantime, Italy and Japan had readjusted their diplomatic relations according to the new political situation. On November 12, 1937, Japan officially recognized the Italian Empire and Italy officially recognized the Empire of Manchoukuo. Early in 1938, by order of the Italian Government, a mission of the National Fascist Party left for Japan with the object of cementing the friendship between the two peoples. This mission was widely entertained throughout Japan and some of the speeches exchanged are indicative of the "coherent spiritual union" of Italy and Japan. Its head, Marquis Paulucci de Caboli, addressed a mass meeting which was held in Tokyo to welcome the mission, in the following words:

It is not without good reason that the Empire of the Rising Sun and the Imperial Italy of Mussolini find themselves so close to one another at the present time. Legend, history, life are our common bond. The history

of Rome, like that of your Empire, was blessed by the favor of Heaven. The history of Rome, like yours, has sought its deep breath on the sea. Life is our bond, because a similar destiny has led us to the same needs and the same ideals. Fascist Italy, like Japan, extols daring and sacrifice and has built up an Empire through strenuous effort.

Foreign Minister Arita, on the same occasion, characterized the Anti-Comintern Pact as "an epoch-making achievement for the sake of world peace and a strong moral support to Japan, which is now engaged in a campaign to clear China, our neighboring country, of the Red menace, so as to bring about permanent peace in the Far East." Premier Prince Konoye brought out another and very significant aspect of the pact when he said:

Proceeding a step further, to turn our thoughts to the very basis of world peace, I cannot but feel that at this present time, when the negative principle of the maintenance of the status quo built up after the last World War, has forfeited its function as a result of the conflicts and contradictions which it has brought in its train, the responsibility for the creation of peace devolves on three Powers, Italy, Germany and Japan.

The political mission was followed immediately by an economic mission, which reached Japan late in the spring of 1938 and extended its visit to Korea, Manchoukuo and North China. The visit of this mission offered an opportunity to conclude in July 1938 negotiations for an agreement of trade and navigation between Japan and Manchoukuo and Italy and Ethiopia, begun informally in November 1936. By this agreement, the Italian-Japanese Treaty of Commerce of 1913 was made applicable to all Italian colonies and possessions and extended for a period of three years. Italy agreed to recognize any preference accorded by Japan to Manchoukuo as an exception to the limitations of the most-favored-nation clause; supplementary clauses provided for a triangular barter trade between Italy on the one side and Japan and Manchoukuo on the other. A declaration of Foreign Minister Hirota to the press on May 9, 1938, seemed to indicate that the Italian representatives gave to the Japanese reason to hope that Italy was prepared to make industrial investments in North China.

In March 1939 a cultural agreement was concluded between Italy and Japan, providing for the exchange of professors and students, for collaboration in scientific studies, for friendly in-

tercourse between youth organizations, and for "adaptation of textbooks in conformity with the spirit of the agreement." Exchanges of professors and students had, however, been carried on since 1935 through an agreement between the Italian Institute for the Middle and the Far East and the Japanese Institute for Cultural Relations.

The signing of the Italian-German alliance on May 22, 1939, was received in Japan with mixed feelings. While the moderate elements were doubtful about the advantages of the whole Axis policy and unwilling to undertake any new obligation, the extremists began clamoring for a tripartite ironclad alliance. The Foreign Office took a cautious attitude and issued a statement declaring that "whether the German-Italian Axis is left in the form of a written agreement or without, as heretofore, will not detract in the least from its effectiveness," but at the same time clearly excluding any further obligation not contained in the Anti-Comintern Pact. The pressure for an alliance with Germany and Italy grew during the following months, the general opinion among the extremist groups being that "so long as Japan makes the anti-Comintern agreement her fundamental principle in diplomacy, it is inevitable that she has also to clash somehow or other with the democracies." (*Hanashi*, June 1939). The government made a close study of European policy and presented a report to the Throne; in the meantime it reaped immediate advantages from the situation by obtaining from Great Britain on July 24 a recognition of Japan's special military needs in China.

This situation of uncertainty was abruptly ended by the Soviet-German pact, signed on August 24, 1939. The Japanese cabinet "definitely decided that it was necessary to pursue a different policy from that hitherto taken," (statement to the press, August 31) and therefore resigned. The new Premier, General Abe, declared "the settlement of the China Affair as its pivotal policy" and at the outbreak of the European war issued the following statement: "In the face of the European war that has just broken out, Japan intends not to be involved therein: she will concentrate her efforts on the settlement of the China affair." A policy of isolation was, therefore, envisaged for Japan. A Japanese military mission was on its way to Italy.

and Germany when this change occurred. The mission arrived in Naples on August 30 and was given a warm welcome on September 1 in Rome. The Italian press took particular care to emphasize that the new German-Soviet pact did not alter the Italian-Japanese relations. General Terauchi, the head of the mission, was received by Signor Mussolini and it is likely that the Italian Government, which had also been rather unfavorably impressed by the new events, insisted on maintaining unaltered its friendship with Japan and thus helped to alleviate the strain in German-Japanese relations. Despite rumors that the visit to Germany had been cancelled and despite the fact that the mission had been recalled to Japan, General Terauchi proceeded to Berlin on September 17.

Since meeting at Lake Como on August 3, the Japanese Ambassadors to Berlin and to Rome had steadfastly coördinated their diplomatic activity. It was known that the two Ambassadors had in the past vainly urged their government for a military alliance with Germany and Italy. Shortly after the beginning of the European war, it was officially announced that the Japanese Ambassador to Rome was retiring and that he had seen the Italian Foreign Minister, Count Ciano, and Signor Mussolini on September 15. On September 17 the Japanese Ambassador to Berlin was in Rome and the press reported that the departing Ambassador was to take a joint report to Tokyo. It is evident that on this occasion Italy played an important and rather successful part of intermediary between Germany and Japan, in order to salvage the anti-Comintern bloc. The rapprochement between Italy and Japan had been brought about by the common antagonism against Great Britain and the Geneva system. Neither the German-Soviet pact nor the European war seemed to have substantially altered the situation; eventually the relations of Japan and Italy drew closer during Italy's "non-belligerent" period.

After four and a half months of ominous silence on anti-Comintern policy, Foreign Minister Arita declared on January 16, 1940, that he expected the relations of Japan with the two friendly nations Germany and Italy to draw even closer. "The Anti-Comintern Pact," he added, "remains as firm as ever." In March 1940, on the occasion of the British-Italian con-

troversy about the shipments of coal from Germany, Japan officially accorded full support to Italy's stand, as being based on "legitimate neutral rights." On April 10 an economic mission was dispatched to Italy with the task of bringing about a revision of the Italian-Japanese trade agreement of 1938. The political nature of this mission was indicated by the fact that it was headed by a former Foreign Minister, Mr. Naotake Sato. The revised trade agreement was signed in Rome on June 21, and an official communiqué issued on June 27 stated that "Mr. Sato reached a complete understanding with Premier Mussolini on political questions arising from the war." Assurances of support for Japan's policy with regard to China and the Netherlands Indies were said to have been given by Signor Mussolini and Count Ciano, according to the Japanese press.

With France falling and Italy entering the European war, Japan's relations with the partners of the Anti-Comintern Pact assumed new importance and significance. Shortly after the Rome meetings of Mr. Sato, Foreign Minister Arita in a radio speech on June 28 made the following remarks:

It seems to be a most natural step that people who are closely related with one another geographically, racially, culturally and economically should first form a sphere of their own for co-existence and co-prosperity and establish peace and order within that sphere, and at the same time secure a relationship of common existence and prosperity with other spheres. . . . It is in this spirit that Japan is now engaged in the task of establishing a new order in East Asia. . . . Her employment of armed force is an act looking beyond the immediate present. The sword she has drawn is none other than a "life-giving sword" that destroys evil and makes justice manifest. . . . The countries of East Asia and the regions of the South Seas are geographically, historically, racially and economically very closely related to one another. . . . The uniting of all these regions under a single sphere on the basis of common existence and insuring thereby the stability of that sphere is, I think, a natural conclusion.

This speech was interpreted *in lieu* of a formal statement which had been expected to disclose previously reported changes in the government's foreign policy. On June 24 Prince Konoye had resigned as President of the Privy Council, stating that he wished to be free in order to lend his support to the movement for the organization of a new national political structure. On July 16, under the pressure of the Army, the

Yonai cabinet resigned and Prince Konoye became the new Premier. One of his first acts was the establishment of a committee entrusted with the task of organizing the new national structure; Mr. Shiratori, former Ambassador to Rome and outstanding spokesman in favor of an internal reorganization of the state on a corporative basis and of Japan's active co-operation with the Axis Powers, was appointed one of the members. At the end of September the committee presented a plan drawn upon the main lines of the Italian corporative (or guild) system, with a Supreme Economic Council and a Supreme Cultural Council at the top of the state and an Imperial Rule Assistance Association at the bottom. The trend of Japan toward totalitarianism was thus brought near its goal.

In the field of foreign policy also things began moving fast. On July 19 Mr. Nobufumi Ito, who had been sent as Minister-at-large to Italy and Germany, asserted on his return to Tokyo that "Japan must alter her foreign policy within the next two months, or otherwise she will lose forever." On July 27 the cabinet discussed a stronger policy toward Great Britain and the United States, and usually reliable informants expressed the opinion that there was an increasing impression in government circles that the United States was taking over the rôle formerly fulfilled by Great Britain in the Far East. The anti-Comintern pact, originally intended as a "counter-covenant" directed against Great Britain and the Geneva system, evidently needed to be re-shaped and strengthened in relation to the new world situation. On September 27, 1940, the Three Power Accord was signed.

The most significant feature of the September agreement is the fact that it drops entirely the anti-Communist International phraseology of the pact of 1937. In the preamble of the accord the governments of Germany, Italy and Japan state that "considering it as a condition precedent of any lasting peace that all nations of the world will be given each its own proper place, have decided to stand by and coöperate with one another in regard to their efforts in Greater Asia and regions of Europe respectively wherein it is their prime purpose to establish and maintain a new order of things calculated to promote the mutual prosperity and welfare of the peoples concerned." In Ar-

ticle 2 "Germany and Italy recognize and respect the leadership of Japan in the establishment of a new order in Greater East Asia." In Article 3 the three Powers "undertake to assist one another with all political, economic and military means when one of the three contracting Powers is attacked by a Power at present not involved in the European war or in the Chinese-Japanese conflict," with the exception that "the aforesaid terms do not in any way affect the political status which exists at present as between each of the three contracting parties and Soviet Russia" (Article 5). After the signature Count Ciano declared that "breath, space and work were refused (the three nations) by those mighty empires who, having monopolized the resources of the world, intended to deny to three nations those elementary and vital requirements which are their most urgent needs."

This accord represents a great clarification of the situation created by the Anti-Comintern Pact. By abandoning all pretences of rallying a conservative crusade against Communism, it openly aims to the establishment of a new world order under the hegemony of the three Powers, and in consequence it is necessarily directed against all forces interested in the maintenance of the status quo in East Asia and in Europe. These forces were previously identified with the British Empire and the Geneva system; they are now identified with the British Empire and the United States of America.

It is difficult to estimate exactly the part played by Italy in the new agreement, but her uninterrupted cordial relations with Japan, the important conversations which took place in Rome in June and the leading rôle assumed among Japanese statesmen by the pro-Fascist Mr. Shiratori, indicate that Italy's participation should not be underrated. Undoubtedly, aside from the fundamental relations existing between Japan and Germany and Germany and Italy, the accord offers a very specific advantage to both Italy and Japan, *viz.*, it keeps the British Asiatic fleet east of Singapore and the British Mediterranean fleet west of Suez. Even more difficult is it to find out exactly what both nations expect from the accord. So far, press and official statements in both countries have been at variance, but there is the impression that while Italians expect Japan to fight should the

United States enter the European war, Japanese cautiously reserve interpretation on Article 3 to decide what brings the treaty into operation.

A most significant aspect of this close Italian-Japanese collaboration is the attitude taken by the Italian Government toward the new Japanese-sponsored Nanking Government. On January 19, 1940, it was reported by Domei, the Japanese official news agency, and confirmed in Rome, that Count Ciano had cabled to the head of the new Chinese government in Nanking "most sincere felicitations" and the offer of "comradely collaboration" in the work of national reconstruction. Since then, official recognition of the new Chinese government by Italy has been frequently rumored in Tokyo. Recognition may be deemed unnecessary by Italy in order to resume her policy of assistance to China under the auspices of Japan, since the new Nanking Government has been established, so it is officially maintained by the Japanese, as an uninterrupted continuation of the Kuomintang; should Italy, however, extend official recognition, discrimination in her favor by the Chinese and Japanese authorities may create serious friction with states which refuse recognition.

CHAPTER III

ITALY'S COMMERCIAL RELATIONS WITH CHINA AND JAPAN

Commercial relations between Italy and China and Japan are considerable, although they never became of paramount importance to any of these countries. Trade between Italy and China and Japan amounted in 1929, the peak year since the Great War, to 1.53 per cent of the total Italian trade, to 2.84 per cent of the total Chinese trade, and to 0.31 per cent of the total Japanese trade. Friendly political relations succeeded, during limited periods of time, in fostering advances in certain lines of trade; but commercial organization, or rather the lack of it, and shipping facilities had a more general influence on trade. Trade between Italy and China and Japan has been, on the whole, of the marginal type with a wide and varying list of commodities. The changes in the monetary policies and in the international purchasing power of the respective currencies have been, in fact, the decisive determinants in the flow of goods. These changes may be briefly described as follows:

(a) The value of the Italian lira depreciated between 1923 and 1926 from 23.89 per cent of the pre-war gold parity (1 pre-war gold lira = 0.191312 old U.S. dollars of 25.8 grains gold) to 20.17 per cent. In 1927 a policy of revaluation brought the lira back to 26.74 per cent; in 1928 the lira was finally stabilized at 26.31 per cent of the pre-war parity on a gold exchange standard (1 lira = 0.052631 old U.S. dollars). After 1931 the lira again showed signs of slight depreciation; in 1934 the foreign exchange control was officially established. In 1935 the value of the lira declined, however, to 24.51 per cent of the pre-war parity; in 1936 an alignment of the lira to the depreciated values of foreign currencies was brought about by a further devaluation to 15.52 per cent of the pre-war parity. At this new level 1 lira equalled 0.052631 depreciated U.S. dollars of 15 5/21 grains gold.

TABLE 1
INDEXES OF VALUE OF CURRENCIES, 1923-1938
(1923 = 100)

Pre-war Gold Parity . . .	<i>Italy</i>	<i>China</i>	<i>Japan</i>
	419.00	No Gold Parity	102.56
1923	100.00	100.00	100.00
1924	94.79	101.02	84.78
1925	86.39	105.00	84.36
1926	84.48	95.00	96.91
1927	112.03	85.01	97.53
1928	110.13	88.75	95.46
1929	110.13	80.00	94.86
1930	110.13	57.50	101.64
1931	108.81	42.50	100.63
1932	106.94	42.50	57.75
1933	108.81	40.48	39.46
1934	106.94	40.11	36.07
1935	102.64	43.04	34.98
1936	85.57	34.99	35.32
1937	65.09	34.85	35.23
1938	65.09	25.06	34.52
1939	63.06	13.47	31.50

(b) China maintained a silver standard until 1935. The value of the Chinese currency remained, therefore, tied to the international price of silver. After a period of relative stability from 1923 to 1925, the gold price of silver declined by 54.84 per cent between 1926 and 1932 and rose again by 26.39 per cent between 1933 and 1935. The Chinese currency appreciated slightly during the first period, depreciated by 57.15 per cent during the second period and was kept by official management relatively stable in terms of gold exchanges during the third period. A managed paper currency, accompanied by a devaluation of 18.03 per cent, was eventually introduced in 1935 making the Chinese national dollar (yuan) equal to 0.30 current U.S. dollars. At the beginning of the Sino-Japanese hostilities a foreign exchange control was established, but the Chinese currency depreciated further from July 1937 to the end of 1939 by 76.13 per cent.

(c) Although a Japanese gold embargo was then in effect, the value of the yen during 1923 was near its pre-war gold parity (1 Japanese yen = 0.498446 old U.S. dollars 25 8/10 grains gold). It depreciated during the two following years to 82.25

per cent, but a progressive rise from 1926 to 1930 brought it eventually back to the pre-war gold standard. A new depreciation, however, caused the gold embargo to be re-established in 1931 and foreign exchange control to be imposed in 1932. By 1934 the value of the yen had fallen to the equivalent of 34.93 per cent of its pre-war gold parity and it remained pegged slightly below this level until 1939, when it declined to 31.50 per cent of the gold parity.

The trend of Italy's foreign trade with China and Japan followed the monetary changes closely enough. We may distinguish three periods: (1) the period of Italian inflation, 1923 to 1929; (2) the period of Italian deflation, 1930 to 1936; (3) the period after the Italian devaluation, 1936 to 1940.

The Period of Italian Inflation

From 1923 to 1928-29 trade between Italy and China and Japan doubled in absolute value (from 330 to 660 million lire) and increased also considerably in relative importance to each country.¹ Internal inflation stimulated industrial development in Italy, while the external depreciation of the lira and the slow readjustment of the domestic to the international level of prices, together with the relative stability of the Chinese and Japanese currencies, facilitated the marketing abroad of Italian manufactured goods. Italian exports grew at an average annual rate of 34 per cent or more rapidly than Italian imports, which expanded by only 14 per cent a year, with the result that for the first time the value of imports and exports to and from China and Japan in 1928 and 1929 appeared fairly balanced.

Italy's trade with China consisted mainly of exports of woolen goods and artificial textile fibers (rayon) and of imports of oil seeds, raw silk and silk waste, tea, essential oils, medicinal herbs, and spices. Italy's trade with Japan consisted mainly of exports of woolen goods, quicksilver and chemical products (dyes, acid and cream of tartar) and of imports of silk and silk waste, chinaware, industrial and alimentary fats, and camphor.

The preliminary treaty of friendship and trade between Italy and China, signed in 1928, recognized China's tariff autonomy

¹ For detailed figures see Appendix.

and provided for the application of the most-favored-nation clause in relation to tariffs of both countries.

The Period of Italian Deflation

From 1930 to 1935 Italy's policy of adherence to the gold parity fixed in 1928 imposed a severe burden on Italian economy. Exports decreased and imports were drastically reduced by increases in ad valorem duties and by the introduction of the quota and license systems. The rapid depreciation of the Japanese yen and the currency convulsions of China throughout this period made reciprocal monetary values with the lira very unstable. This instability is reflected in the disparities which may be noticed between Italian and Chinese and Japanese statistics of trade for this period. The comparison between statistics was further complicated by the changes brought about by the separation of Manchuria from China. Aside from these general indications, however, the definite causes and extent of the sharp disparities between Italian, Chinese, Japanese and Manchoukuoan statistics of trade since 1932 cannot be easily and satisfactorily ascertained.

A decline of Italy's trade with China and Japan during this period is, however, evident from all statistics. This, as the decline in the relative importance of Italian trade for China and Japan and of Chinese and Japanese trade for Italy indicates, has been greater than the contraction which may be attributed to the world depression. Italian imports from China and Japan in 1935 were cut to about half of the 1930 figure, and Italian exports to these countries showed an even greater contraction. Despite this, Italy succeeded in maintaining a fair balance in her trade with both countries and, for the first time, a steady excess of exports to China over several consecutive years.

During this period new lines of trade between Italy and China were fostered by close political relations. Italy's sales to China of iron and steel tinned sheets, guns, ammunition, aircraft, chemical products (dyes, calcium carbide) showed substantial increases, partially compensating for the sharp contraction suffered by exports of textile goods. Imports of raw silk and silk waste also declined, while other items of trade showed no appreciable change. Commercial relations between Italy and

Japan reflected the progressive industrialization of both countries. Italy began supplying Japan with aluminum and machinery and increased her exports of quicksilver, while contracting her sales of woolen goods and chemical products. No substantial change appeared in the distribution of the Italian import trade from Japan.

The Italian-Abyssinian conflict from October 1935 to May 1936 and the economic sanctions against Italy adopted by the League of Nations in October 1935 and applied by the member states of it from November 1935 to July 1936, seriously disrupted Italy's domestic economy and international economic relations. These sanctions consisted of an embargo on all imports from Italy and in restrictions against export to Italy of animals used for transportation, rubber, and strategic minerals. Italy answered by applying counter-sanctions and by adopting a system of import licenses. China, as a member of the League, enforced the sanctions with some exceptions from December 1, 1935 to July 15, 1936, while Japan did not join in the action. As compared with 1935, Italian trade with China shrank by 54 per cent and with Japan by 44 per cent, the contraction being, however, comparatively more severe in imports than in exports, with the result that Italy even in this year had a slight excess of export to both countries. Moreover, substantial quantities of certain Italian goods such as rayon reached the Japanese concession of Tientsin through Dairen and the East Hopei Autonomous Administration.

After the Italian Devaluation and the Italian-Japanese-Manchoukuoan Trade Agreement

The recovery of foreign markets by Italian exporters after 1936 was brought about particularly through the devaluation of the lira by 41 per cent, though Chinese and Japanese currencies also depreciated after 1937. Italian trade with China in 1937 recovered the level of 1935, owing to especially heavy sales of aircraft parts and iron and steel tinned sheets, but by 1938 declined to a point of insignificance. Italian trade with Japan, on the other hand, showed increases in 1937 and 1939. Italian trade with Manchoukuo grew steadily. The balance of

trade underwent a change, showing again a slight excess of imports into over exports from Italy.

The most significant event of this last period has been the trade agreement between Italy on one side and Japan and Manchoukuo on the other. After informal negotiations, begun in Rome in November 1936, this agreement was signed in Tokyo on July 5, 1938, during the visit of the Italian Economic Mission to Japan, Korea, Manchoukuo and North China. Rumors, circulated at that time by the Japanese press, that Italy was prepared to make industrial investments in North China, remained unconfirmed. The agreement was made in the form of a protocol added to the Italian-Japanese treaty of friendship, commerce and navigation of 1913, which was made applicable to all Italian colonies and possessions, including Italian East Africa, and covered a period of three years. The trade agreement itself, however, was made valid only for a period of one year from September 1, 1938, to be automatically renewed for another six months if one party failed to notify the other of its denunciation, and Italy agreed to recognize as exceptions to the most-favored-nation clause any preference extended to Japan and Manchoukuo.

The other leading provisions of the agreement were: (a) The market of Italian East Africa was to be opened to Japan and Manchoukuo. Japan's trade with Ethiopia in the past had shown a normal excess of imports (consisting mainly of salt) from Ethiopia into Japan. In 1937 Japan received from Italian Eritrea and Somaliland and from the French port of Jibuti 268,000 metric tons of industrial salt, or more than 16 per cent of her total imports of this commodity. (b) Trade was to be regulated on a barter basis, the balance to be calculated every six months. The annual imports from Manchoukuo and Japan into Italy were expected to reach about 150 million lire in value, of which 120 million was to come from Manchoukuo and 30 million from Japan. Manchoukuoan exports to Italy were to include soya beans, groundnuts and other agricultural products to the value of 100 million lire, and silk waste, magnesium, scoriae, natural silk, soya bean oil and other natural oils to the value of another 20 million lire. Of the 150 million lire of exports from Italy, 60 million was to be sent to Manchou-

kuo and 90 million to Japan. Italian exports to Manchoukuo were to include industrial machinery valued at 34 million, automobiles and motors, 25 million, and chalk and other products, the balance. The agreement provided, therefore, a triangular system of barter, by which Manchoukuo was made to pay for the planned excess of Italian sales to Japan. (c) Although no specific clearing account was provided, payments between the two countries were to be handled by the National Institute for Foreign Exchange in Italy and by the Yokohama Specie Bank in Japan.

Since 1932 the Italian commercial policy has been directed to readjusting trade relations with various countries by clearing and barter agreements. This agreement between Italy and Japan remains, nevertheless, the only one of this nature concerning specifically the Far East. The volume of trade provided by it was four to five times greater than the volume of trade between Italy and Japan and Manchoukuo in 1937 and 1938. In 1937 Japan exported to Italy more than 7 million yen of silk waste, natural silk, raw silk, industrial fats and oils, and essential oils, and imported from Italy 4.4 million yen of quicksilver and sundry goods. In the same year Manchoukuo exported to Italy 2.6 million yuan of soya beans and ground-nuts, and imported from Italy more than 1 million yuan of woolen and silk piece goods, aluminum, machine tools and sundry goods. In 1939 Italian trade with both countries rose to more than double that of 1937 and 1938, but it remained about one third below the level stipulated in the agreement. Japanese exports to Italy in 1939 totaled 5.7 million yen of silk waste, raw silk, cotton tissues, silk and artificial silk tissues, potteries and comestibles; and imports from Italy, more than 19 million yen of synthetic dyes, woolen goods and sundries (including unclassified machinery and metals). Manchoukuo exported to Italy 12.7 million yuan of soya beans and ground-nuts, and imported from Italy 4.4 million yuan of sundries, including unclassified machinery, automobiles and motors. On the basis of these figures and of the yearly average of the rate of exchange,¹ Italy's exports to Japan and Manchoukuo

¹ One yen (and one Manchoukuo yuan) equalled 5.42 lire in 1937 and 4.97 lire in 1939.

totaled over 116 million lire and her imports over 91 million lire. Italy thus gained an excess of exports of more than 5 million yen, or over 25 million lire.

A revision of the agreement was unofficially proposed by the Japan-Italy Trade Committee in July 1939 and officially sought in the following September by the Japanese Foreign Office. The Japanese demands included ammunition and machinery and materials (such as aircraft, automobiles, trains and steamships) needed for the industrial exploitation of Manchoukuo and North China. The revised agreement was signed in Rome in June 1940 during the visit of the Japanese Economic Mission headed by former Foreign Minister Sato. Although no official communiqué has been issued regarding the terms of the new agreement, it is understood that the amount of trade was to remain unchanged at 150 million lire, that Japan and Manchoukuo was to continue to supply Italy with goods mentioned in the first agreement plus camphor and comestibles, and that Italy was to continue to supply Japan and Manchoukuo with the goods mentioned in the first agreement, including industrial salt.

It seems evident, by the length of the negotiations preceding the agreement of 1938 and by the difficulties encountered in fulfilling it, that the expansion of Italian-Japanese trade is based upon political postulates, which, however firm, do not seem to warrant any further increase of the economic collaboration between the two countries beyond certain set limits. The Italian-Japanese collaboration has been made possible only through the intermediary use of Manchoukuo and Italian East Africa as subsidiary parties. Like Germany, Italy in peacetime may be in a position to assist in the industrial development of Manchoukuo and possibly North China. Although Italy's demand for vegetable oils and fats is largely supplied by domestic sources (the imports being only about 5 per cent of the domestic production), it may be possible to shift the largest portion of foreign purchases from other countries to Manchoukuo. The fact that Italy, besides being an important producer and exporter, is also an important manufacturer of foreign raw and waste silk, offers Japan the opportunity to dispose of surpluses which could not be manufactured in her domestic market. But

beyond these limits, within which the agreements of 1938 and 1940 have been contained, there seems to be little or no possibility of commercial expansion between Italy and Japan.

The Development of a Commercial Organization

Apart from the Italian Chamber of Commerce for the Far East, situated in Shanghai, there was hardly any commercial organization worthy of the name connecting Italy and the Far East before the World War. In 1923 the *Compagnia Italiana per l'Estremo Oriente* (Cideo) and the Sino-Italian Bank were in charge of commercial initiative and trade financing in the Far East. During the 'twenties, the Cideo succeeded in expanding the market for Italian woolen goods and in marketing artificial textile fibers in China. Later, when the work of economic reconstruction was begun by the Chinese National Government and the Italian Government pledged its assistance, the Cideo directed its attention particularly to industrial goods. The Sino-Italian Bank was reorganized in 1925 as the Italian Bank for China, with a paid-up capital of U.S.\$1,000,000 entirely held by the *Credito Italiano*. Offices were maintained only in Shanghai and Tientsin. The bank played the leading rôle in financing Italian-Chinese trade. Its outstanding commercial credits, which amounted to U.S.\$1,426,576 at the end of 1933, contracted slowly but steadily from 1934 on and fell below U.S. \$1,000,000 after the Tientsin branch was closed in 1937. In 1939 they amounted to U.S.\$725,000. Only the head office in Shanghai has been maintained, and the Bank is apparently obtaining most of its profits from operations for account of the Italian Treasury and from exchange transactions rather than from commercial credit transactions.

From 1933 to 1937 the Italian Air Mission was instrumental in fostering sales of Italian aircraft and aircraft parts in China. At about the same time Italian aircraft manufacturers (Savoia-Marchetti, Caproni, Fiat, Breda) established representative offices in Shanghai. The Italian Aeronautic Consortium for China founded in Milan in 1934 by the largest Italian manufacturers of aircraft parts, opened an office in Shanghai in 1935. This Consortium played the leading rôle in the sale of aircraft and in the establishment of the Sino-Italian National Aircraft

Works in which it invested a sum of 2.3 million Chinese Customs Gold Units represented by industrial equipment and aircraft parts.

Behind this main activity, a number of middle and small commercial firms in Shanghai and Tientsin cover a wide field, with imports of silk, manufactured goods (including artificial silk) and foodstuffs and wines taking the leading place. Italian commercial organization, however, has been traditionally confined to China, and even there it remained bound to Shanghai. It failed to develop a network of trade centers on which to depend; it never achieved efficient coördination and it was often hampered by internal competition and contradictions. Diplomatic and consular representatives, on whom commercial organization was made to depend especially after 1932, were lacking in business experience and initiative; information about Italian trade and exchange regulations, which abounded after 1934, was practically unavailable. A commercial counselor was attached to the Italian Embassies in Shanghai and Tokyo in 1937 and was given charge of all the Far East.

After the signing of the trade agreement between Italy and Japan in 1938 the Fascist Confederation of Industrialists and the Japan Economic Federation decided to establish a Japan-Italy Trade Committee in each country, with three standing sub-committees in charge of trade relations between the two countries. These sub-committees were respectively to take care of (1) shipping, insurance and banking, trade in silk, rayon and wool; (2) chemical products, salt, soya beans, vegetable oils; (3) machinery. Toward the close of 1939 a new *Societa' Commerciale Italiana per l' Estremo Oriente* (Italian Commercial Corporation for the Far East) was established under political auspices and private initiative for the fostering of Italian-Manchoukuoan trade relations.

The Development of Shipping Facilities

Before the Great War nearly all trade between Italy and the Far East was carried by vessels of foreign flags. The expansion of the Italian and the development of the Japanese merchant marines caused direct shipping facilities to be established between Italy and the Far East during the 'twenties. In 1925

about 52 per cent of the outgoing Italian trade and 81 per cent of the incoming Italian trade with China was carried by Italian vessels; these percentages rose in 1936 respectively to 88 and 87.

Italian shipping serves foreign as well as domestic trade with China. Italian vessels entering Chinese ports for foreign trade represented 0.06 per cent of all entries and 0.41 per cent of tonnage in 1923; they increased in 1929 to 0.20 and 1.34 per cent, and after a period of slight decline during the early 'thirties, they reached in 1938 the peaks respectively of 0.20 and 2.45 per cent. Italian regular shipping services with the Far East have been subsidized since 1926. In 1931 a fast passenger line was established by the Lloyd Triestino between Italy and Shanghai. In 1932 the Italian Government brought about the first consolidation among the shipping companies, which in

TABLE 2
VESSELS ENTERED IN CHINESE PORTS, 1923-1938

	Foreign Trade		Domestic Trade	
	Number	Tonnage (000)	Number	Tonnage (000)
1923				
Italian.....	20	84	180	16
Total.....	32,082	20,560	60,320	45,149
Per cent.....	0.06	0.41	0.29	0.03
1925				
Italian.....	82	124	631	230
Total.....	28,128	20,049	57,062	44,036
Per cent.....	0.28	0.61	1.10	0.52
1931				
Italian.....	51	223	69	155
Total.....	34,233	25,914	55,734	54,057
Per cent.....	0.15	0.86	0.12	0.29
1935				
Italian.....	43	236	383	169
Total.....	36,675	24,044	55,187	48,392
Per cent.....	0.12	0.98	0.68	0.35
1936				
Italian.....	34	201	224	94
Total.....	43,988	22,744	70,435	50,000
Per cent.....	0.08	0.80	0.31	0.19
1937				
Italian.....	40	242	218	222
Total.....	35,925	17,764	60,124	27,314
Per cent.....	0.11	1.36	0.35	0.81
1938				
Italian.....	75	364	375	508
Total.....	37,584	14,813	17,154	14,689
Per cent.....	0.20	2.45	2.14	3.46

1936 were finally merged into four large government-owned companies. The cargo and passenger line services between Italy and the Far East were exclusively reserved to the Lloyd Triestino, a member of the East Asiatic Shipping Conference.

The Italian share in China's domestic coastal shipping during 1923 amounted to 0.29 per cent of entries and 0.23 per cent of tonnage; it rose in 1927 respectively to 1.34 and 0.83 per cent, and after some decline, it increased again after 1930, reaching in 1938 the highest percentages of 2.14 and 3.46. The increase during the recent years is due to a decline in shipping other than Italian rather than to an expansion of Italian shipping; the striking feature of this development is the increase of the average tonnage of Italian ships from a few hundred tons in the 'twenties to some fourteen hundred tons in 1938. Interport shipping under the Italian flag is mostly carried by a Sino-Italian enterprise, the Italian-Chinese Navigation Company, which maintains a large fleet of steamships, motor vessels and steam launches for passenger and freight service along the coast and the Yangtze. The remainder is carried on by a small enterprise, the Italo-Chinese River Navigation Company.

TABLE 3
STEAMERS ENTERED IN JAPANESE AND ITALIAN PORTS, 1925-1937

	Japanese Ports		Italian Ports	
	Number	Tonnage (000)	Number	Tonnage (000)
1925			1925	
Italian.....	71	254	Japanese ..	219
Total.....	14,560	43,004	Total.....	141,133
Per cent....	0.48	0.59	Per cent...	0.15
				57,609
				1.68
1931			1931	
Italian.....	43	191	Japanese...	78
Total.....	17,887	56,508	Total.....	161,965
Per cent....	0.24	0.34	Per cent...	0.04
				77,143
				0.58
1935			1935	
Italian.....	42	147	Japanese	57
Total.....	21,904	73,803	Total.....	172,948
Per cent....	0.19	0.20	Per cent...	0.03
				85,384
				0.41
1936			1936	
Italian.....	28	105	Japanese ..	14
Total.....	22,978	76,643	Total.....	175,519
Per cent....	0.12	0.13	Per cent...	0.01
				77,892
				0.12
1937				
Italian.....	66	227		
Total.....	21,680	72,882		
Per cent....	0.30	0.31		

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Shipping facilities between Italy and Japan are provided by the merchant marines of both countries; regular communications are maintained by the Lloyd Triestino and the Nippon Yusen Kaisha. Italian shipping in Japan appears to be slightly more important than Japanese shipping in Italy.

CHAPTER IV

ITALY'S RELATIONS WITH SOUTHEASTERN ASIA

With the exception of Thailand, the countries of southeastern Asia, British Malaya, the Netherlands Indies, the Philippines and French Indo-China, are dependencies of Western Powers. Italy's political and commercial relations with these countries have, therefore, always been determined by her relations with Great Britain, the Netherlands, the United States and France. Political relations with Thailand have always remained cordial. A treaty of friendship, commerce and navigation was signed in 1926, in place of the old treaty of 1866. Article 14 of the new treaty provided for a limitation on the maximum customs duty chargeable by Siam¹ on cotton manufactures, hats, motor cars and trucks, canned condensed milk, wines and vermouth originating in and coming from Italy. After Siam had repudiated all agreements with foreign nations at the close of 1936, a new treaty was drawn up on the basis of absolute equality and the most-favored-nation clause. Trade relations with all other countries, dependencies of Western Powers, are regulated by various agreements, based on the most-favored-nation clause.

Silver was in the past the monetary standard in all these countries, except in the Netherlands Indies, where the Dutch monetary system is used. In 1927 British Malaya and in 1929 Siam introduced the gold exchange standard and eventually pegged their currencies to the pound sterling after 1931. In 1930 French Indo-China stabilized the exchange rate of the piastre on the French franc. The Philippines peso has always been pegged to the American dollar. Changes in the reciprocal values between the Italian lira and the currencies of southeastern Asia have, in consequence, been closely related to changes between the lira and the pound, guilder, dollar and franc.

While the importance of the Italian trade with China and

¹ Siam, which changed its name to Thailand in 1939, is termed "Siam" throughout when reference is made to the country prior to 1939.

Japan lies traditionally in its political nature, the importance of Italy's increasing dependence on southeastern Asia lies in her domestic economic policy. Trade relations between Italy and southeastern Asia depend, in fact, essentially on the near-monopoly in this part of the world of the production of three strategic raw materials, cinchona bark, tin and rubber. Italian imports from southeastern Asia amounted in 1928 to 191 million lire, or 0.87 per cent of total Italian imports, as compared with 1.66 per cent from central and northeastern Asia. By 1935 the value of Italian imports from southeastern Asia exceeded 200 million lire and its percentage of total imports rose to 2.64 per cent, while the share of central and northeastern Asia declined to 1.30 per cent. In 1937 and 1938 Italian purchases from southeastern Asia increased further to 325-375 million lire, or 2.70-3.00 per cent of total Italian imports, while the remaining share of Italy's imports from the Far East fell to a bare 0.67 per cent. Italian exports to southeastern Asia, on the contrary, after rising to the peak of 330 million in 1927 (2.1 per cent of total Italian exports), declined steadily to the bottom figures of 13 million lire (0.24 per cent) in 1936, after which they expanded again to 70-100 million lire (0.88-0.99 per cent of total Italian exports). The contraction in the sales of Italian goods has been rather sharper in southeastern Asia than in central and northeastern Asia. Among the southeastern countries, British Malaya and the Netherlands Indies occupy respectively the leading position as exporter to and importer from Italy. The Philippines, Thailand and French Indo-China are respectively third, fourth and fifth in importance, but their volume of trade with Italy is rather insignificant.

Trade between Italy and British Malaya in 1938 and 1939 represented about 1.2 per cent of the respective total trade of both countries. Italian imports from British Malaya expanded from 1923 to 1926, decreased from 1927 to 1932, and rose later to above 200 million lire in 1937 and 1938, owing chiefly to increased purchases of rubber. Tin and rubber accounted ordinarily for 60-90 per cent of Italian purchases, the remainder consisting mainly of spices and copra. The trend of exports from Italy, amounting in 1938 to approximately 20 million lire, has been similar to that of the imports, but changes were

more widespread and sharper. Among Italian goods, textiles were predominant in the 'twenties and automobiles and tinned iron and steel sheets during recent years.

Trade with the Netherlands Indies was characterized until 1931 by an excess of exports from, over imports into, Italy. During the depression, sales of Italian goods were seriously hit and rose again only after the devaluation of the lira of 1936. In 1927 Italian exports to the Netherlands Indies amounted to some 250 million lire and were about five times greater than Italian imports, but in 1937 and 1938 Italian exports, valued at around 40 million lire, were less than half the Italian imports. This change was brought about by an increase in all the most important items of import into Italy (cinchona bark, rubber, gasoline, palm oil, essential oils, tea, cocoa, spices) and a general decrease in the items of export from Italy (woolen and cotton piece goods, refined sulphur, asbestos and tinned plates, dyes and chemical products, automobiles).

Trade between Italy and the Philippines was largest in absolute values in 1926, reaching 36 million lire, and in relative importance of total Italian trade in 1936, the year of economic sanctions against Italy, in which the Philippines did not participate, reaching 0.21 per cent of total Italian foreign trade. Italian purchases in the Philippines increased from 1923 to 1925, decreased from 1926 to 1932, and showed again a tendency to expand later. With the exception of 1932 only, Italian statistics show a constant excess of imports from, over exports to, the Philippines, this excess being the largest in 1925 and 1936. The Philippines, which supplies Italy almost exclusively with manila hemp and copra, is a moderate customer for various Italian products, such as woolen and cotton piece goods, marble, buttons and wines. Trade between Italy and Thailand, which usually amounts to a few million lire and accounts for an insignificant share of the total foreign trade of both countries, rose abruptly to 38 million lire in 1937, owing to Italy's delivery of naval equipment to Siam. However, sales of Italian woolen and cotton piece goods and wines usually exceed Italian purchases of timber and hides. Italy's trade with French Indo-China has been insignificant since a short-lived boom in 1927-1928. Italian purchases consist mainly of rubber and of some

copper and zinc ores, while Italian sales are represented by unspecified sundry goods.

Commercial Organization and Shipping Facilities

As indicated in Chapter III, an Italian commercial organization for the Far East developed in China, but difficulties in communications and lack of initiative limited its sphere of operations to central China. Italian commercial and subsidiary trade enterprises in southeastern Asia have always been few. In the insurance field, the *Assicurazioni Generali* (General Insurances) controls a vast organization with headquarters in British India and branches in Saigon (Indo-China), in Manila (Philippines), and in the Netherlands Indies. An Italian quinine plantation owned by the State Tobacco Monopoly and a rubber plantation owned by the foremost Italian rubber company, "Pirelli," both situated in Java, are mainly responsible for the export of quinine, tea and rubber from the Netherlands Indies to Italy. A number of small Italian tradesmen live in southeastern Asia and most of them are residents of the Netherlands Indies.

Because of the geographic situation of the southeastern part of the Asiatic continent, shipping facilities between Italy and British Malaya, Thailand and French Indo-China were improved along with the development of direct shipping communications between Italy and Central China. Although no detailed figures are available, it may be assumed, on the basis of changes in the distribution by shipping of the Italian trade with China and British India, that Italian shipping carried an increasingly larger share of the Italian trade with the southeastern Asiatic continent. Italian shipping in the Netherlands Indies and the Philippines remains rather insignificant. Direct shipping facilities between Italy and the Netherlands Indies are, however, provided by Dutch ships which used to make regular calls at the Italian ports, particularly at Genoa. The ports are linked by direct rail communications with the Netherlands.

CHAPTER V

ECONOMIC INTERDEPENDENCE OF ITALY AND THE FAR EAST

Since 1936 Italy has been pursuing a policy directed to securing, as far as possible, the economic independence of the country, with special attention to those activities concerned with military defense and civilian life in time of war. This policy of national self-sufficiency, known as "autarchy," has developed out of two facts, the need of readjusting the balance of international payments by reducing imports from abroad, and the fear of economic and military blockade, the danger of which became a reality for the first time with the economic sanctions during the Ethiopian War. Confronted with like circumstances, Japan and China adopted somewhat similar policies in 1938. The policy consists in developing all national resources and expanding industrial productivity according to the various needs of the country. The importance of foreign markets is measured in terms of supply of strategic raw materials which cannot be produced within the national territory or obtained in the form of substitutes from national raw materials. The following analysis of the economic interdependence of Italy and the Far East will be directed from this autarchic point of view. This analysis covers Italian foreign trade by commodities during the period from 1929 to 1936, immediately preceding the definite turn in Italy's economic policy.

For the average of the years 1929 to 1936, the Far East supplied 2.64 per cent of the Italian imports and bought 2.56 per cent of the Italian exports. The average annual excess of Italy's imports from, over exports to, the Far East amounted to 68 million lire, or 2.53 per cent of the annual average deficit of the Italian balance of trade. In order of importance, Italian imports were distributed among China (0.88 per cent), British Malaya (0.63 per cent), the Netherlands Indies (0.56 per cent), Japan (0.42 per cent), the Philippines, Siam, French Indo-China

and Manchoukuo; Italian exports were distributed among China (1.29 per cent), the Netherlands Indies (0.62 per cent), Japan (0.36 per cent), British Malaya (0.19 per cent), Siam, the Philippines, French Indo-China and Manchoukuo.

Italian Imports from the Far East

During the period from 1929 to 1936 the Far East supplied Italy with a long list of raw materials, which may be grouped as follows: medicinal (cinchona bark, quinine sulphate, medicinal herbs); chemical (vegetable and animal fats, palm oil, copra, essential oils, camphor, resina, mineral oils); plastic (rubber, celluloid, mother-of-pearl); mineral (tin, antimony); comestibles (oil seeds, tea, spices, exotic flours, cocoa, coffee); textiles (raw silk, silk waste, manila hemp). Imports of semi-manufactured and manufactured goods from the Far East into Italy have always been insignificant, the only noticeable item being some chinaware from Japan.

TABLE 4
ITALIAN IMPORTS OF CINCHONA BARK AND QUININE, 1929-1937
CINCHONA BARK
(in kilograms)

	<i>Netherlands Indies</i>	<i>Netherlands</i>	<i>China</i>	<i>Total</i>
1929.....	996	114	5	1,220
1930.....	1,442	—	267	1,940
1931.....	2,210	—	35	2,410
1932.....	3,639	—	38	3,898
1933.....	3,207	46	11	3,663
1934.....	1,734	17	5	2,078
1935.....	1,309	24	25	1,512
1936.....	1,191	18	—	1,310
1937.....	—	—	—	—

QUININE
(in kilograms)

	<i>Netherlands Indies</i>	<i>Netherlands</i>	<i>Total</i>
1929.....	—	17,714	24,603
1930.....	—	13,324	19,694
1931.....	—	4,350	4,504
1932.....	4,000	19,201	25,094
1933.....	—	38,260	40,065
1934.....	3,692	26,149	32,721
1935.....	—	87,410	92,318
1936.....	13,000	41,104	59,059
1937.....	—	58,462	62,322

Italian needs of quinine were almost entirely (87-89 per cent) supplied by the Netherlands Indies, either directly by export of cinchona bark or indirectly by re-export through the Netherlands of quinine sulphate. Most of the cinchona bark, the basic raw material, came from a plantation in Java owned by the Italian State Tobacco Monopoly. Italian purchases of cinchona bark and quinine sulphate showed a steady tendency to increase, reaching a peak in 1935, the year preceding the Ethiopian campaign. The Netherlands Indies together with China and Japan supplied also a small portion of Italian imports of medicinal herbs (6.30 per cent).

Although domestic production of vegetable and animal fats has been constantly increasing, the Italian chemical industry always depended to some extent on foreign supplies of these products. Purchases from China and Japan of industrial fats and oils represented about one-sixth of total Italian imports. Small quantities of copra (2.5 per cent of the total imports) were purchased from the Netherlands Indies, the Philippines and British Malaya, and a limited quantity of palm oil (13 per cent of the total imports) was obtained from the Indies. Between

TABLE 5
ITALIAN IMPORTS OF INDUSTRIAL FATS AND OILS, 1929-1936
(In hundred kilograms)

	<i>Japan</i>	<i>China</i>	<i>Total</i>
1929.....	40,572	10,685	304,646
1930.....	28,585	8,290	297,045
1931.....	34,370	2,323	250,639
1932.....	34,832	512	224,761
1933.....	47,432	375	220,376
1934.....	32,367	131	168,802
1935.....	36,365	—	176,038
1936.....	7,959	—	112,211

one-fifth and one-sixth of Italian imports of essential oils and resins was also provided by the Netherlands Indies, China and Japan. Japan also supplied about one-third of Italian imports of camphor, although Italy herself produced and exported considerable quantities of synthetic camphor. The Netherlands Indies provided directly 8.3 per cent of the total Italian imports of gasoline, a small quantity of paraffin (2.6 per cent), and insignificant quantities of benzol, xilol and toluol, but larger

TABLE 6
ITALIAN IMPORTS OF ESSENTIAL OILS AND RESINS, 1929-1936
ESSENTIAL OILS

(In kilograms)

	<i>Netherlands Indies</i>	<i>Japan</i>	<i>China</i>	<i>Total</i>
1929.....	1,816	817	2,032	101,567
1930.....	1,288	357	2,340	100,080
1931.....	5,178	1,434	5,387	80,435
1932.....	9,361	3,894	6,455	83,023
1933.....	10,098	4,824	3,514	82,269
1934.....	22,718	7,416	6,283	113,362
1935.....	21,002	7,016	4,282	101,229
1936.....	5,589	2,360	9,818	49,618

RESINS

(In hundred kilograms)

	<i>Netherlands Indies</i>	<i>Total</i>
1929.....	1,711	16,029
1930.....	1,441	15,081
1931.....	1,610	12,254
1932.....	1,953	12,918
1933.....	2,657	13,306
1934.....	2,440	14,518
1935.....	2,473	17,302
1936.....	348	7,830

quantities of these products were imported by Italy through the Netherlands.

Italian imports of rubber from 1929 to 1933 remained below the annual figure of 20,000 tons, of which more than half was supplied by British India and Ceylon, about one-fourth by the Netherlands Indies, less than one-tenth by British Malaya and the remainder by other sources, including French Indo-China, Belgian Congo and Brazil. Since 1934 annual imports of this commodity have risen above 20,000 tons, of which about four-fifths were supplied by British Malaya. Imports from the Netherlands Indies remained evenly distributed, chiefly owing to their fixed source of supply, the Java plantation of the Italian rubber manufacturing company Pirelli. During 1936, the year of the economic sanctions, imports from Belgian Congo and Brazil increased substantially. Among the minor products used by the plastic industry, celluloid and mother-of-pearl were supplied in small quantities by Japan and British Malaya.

Tin is a commodity for which Italy depended almost exclu-

TABLE 7
ITALIAN IMPORTS OF RUBBER, 1929-1937
(In hundred kilograms)

	<i>British Malaya</i>	<i>Netherlands Indies</i>	<i>French Indo-China</i>	<i>Total</i>
1929.....	13,036	30,704	6,398	166,469
1930.....	26,696	30,749	666	189,307
1931.....	16,306	21,145	97	102,574
1932.....	8,445	58,210	105	155,461
1933.....	10,754	88,445	111	197,101
1934.....	13,065	99,430	50	217,698
1935.....	190,840	43,685	4,294	264,811
1936.....	79,297	25,398	1,544	168,046
1937.....	212,498	12,161	—	252,278

sively on British Malaya. Direct imports from this source formerly accounted for 70 per cent of the total Italian imports, the largest portion of the remainder being bought through Great Britain and British India. In 1936, however, owing to the application of economic sanctions, Italian purchases of tin were made through Germany. Imports of antimony, 65 per cent

TABLE 8
ITALIAN IMPORTS OF TIN, 1929-1937
(In metric tons)

	<i>British Malaya</i>	<i>Total</i>
1929.....	4,236	5,324
1930.....	3,752	4,707
1931.....	2,712	3,597
1932.....	2,767	3,794
1933.....	3,109	4,115
1934.....	3,067	4,218
1935.....	4,653	6,771
1936.....	803	3,715
1937.....	2,488	3,639

TABLE 9
ITALIAN IMPORTS AND PRODUCTION OF ANTIMONY, 1929-1937
(In metric tons)

	<i>China</i>	<i>Total Imports</i>	<i>Domestic Production</i>
1929.....	182	400	2,243
1930.....	338	446	2,112
1931.....	254	439	2,743
1932.....	293	420	1,239
1933.....	259	384	2,267
1934.....	101	136	2,115
1935.....	420	726	2,779
1936.....	738	782	3,188
1937.....	No data	No data	3,864

TABLE 10
ITALIAN IMPORTS AND PRODUCTION OF OIL SEEDS, 1929-1937
(In hundred metric tons)

	<i>China</i>	<i>Total Imports</i>	<i>Domestic Production</i>
1929.....	1,042	3,534	50,584
1930.....	387	1,653	No data
1931.....	668	2,594	52,126
1932.....	267	2,683	36,951
1933.....	181	2,073	27,461
1934.....	360	3,167	40,226
1935.....	630	2,265	36,262
1936.....	117	1,564	76,645
1937.....	203	3,799	No data

of which came from China, do not seem of great importance to the Italian industry since they represented less than one-fifth of the total Italian production of this strategic metal.

In comestibles China supplied Italy with about one-fifth of the Italian imports of oil seeds which, however, amounted

TABLE 11
ITALIAN IMPORTS OF SPICES AND TEA, 1929-1936
(In hundred kilograms)

	<i>SPICES</i>			
	<i>British Malaya</i>	<i>Netherlands Indies</i>	<i>China</i>	<i>Total</i>
1929.....	1,178	2	90	22,754
1930.....	1,058	5	169	25,170
1931.....	1,187	7	115	23,960
1932.....	1,509	8	109	23,479
1933.....	970	1,0	100	22,375
1934.....	1,275	1,4	86	23,436
1935.....	1,243	3,8	178	28,134
1936.....	109	1,9	190	14,138

	<i>TEA</i>		
	<i>Netherlands Indies</i>	<i>China</i>	<i>Total</i>
1929.....	14	291	1,708
1930.....	24	180	1,483
1931.....	30	174	1,513
1932.....	78	91	1,341
1933.....	106	35	1,203
1934.....	127	47	1,306
1935.....	432	120	1,520
1936.....	549	6	714

to no more than one-twentieth of the Italian production. Italy's imports of spices and tea from China, British Malaya,

and the Netherlands Indies represented 10 to 12 per cent of her purchases abroad of these products. Italy definitely followed the policy of taking as much spices (particularly pepper) and tea as possible from the Netherlands Indies, where the Italian State Tobacco Monopoly directs the production. The Netherlands Indies also supplied Italy with about one-fifth of her imports of exotic flours, 4 per cent of her imports of coffee, and 2.25 per cent of her imports of cocoa.

TABLE 12
ITALIAN IMPORTS OF EXOTIC FLOURS, 1929-1937
(In hundred kilograms)

	<i>Netherlands Indies</i>	<i>British Malaya</i>	<i>Total</i>
1929.....	1,112	248	205,646
1930.....	8,061	655	162,726
1931.....	7,931	605	131,000
1932.....	177,625	—	307,265
1933.....	63,360	518	200,101
1934.....	7,823	407	137,391
1935.....	993	274	148,182
1936.....	—	—	24,316

Italy has always been an important producer, importer, and exporter of silk and silk goods. China and Japan supplied Italy with more than half her imports of raw silk and with more than two-thirds of her imports of waste silk. These imports, however, represented only a small percentage of the Italian domestic production and decreased since 1931 in consequence of the contraction of sales of Italian silk abroad. Italy is also an important producer and exporter of manila hemp; insignificant

TABLE 13
ITALIAN IMPORTS, PRODUCTION, AND EXPORTS OF RAW SILK,
1929-1937
(In metric tons)

	<i>China</i>	<i>Japan</i>	<i>Total Imports</i>	<i>Domestic Production</i>	<i>Total Exports</i>
1929.....	159	89	469	6,118	5,980
1930.....	93	114	386	6,310	6,457
1931.....	197	63	427	5,393	5,732
1932.....	55	151	384	2,965	3,166
1933.....	61	92	275	3,284	3,480
1934.....	39	229	421	3,124	1,892
1935.....	39	105	178	2,982	2,100
1936.....	8	67	77	2,812	2,576
1937.....	—	153	251	2,861	2,037

quantities of this fiber were imported, for the most part from the Philippines.

TABLE 14
ITALIAN IMPORTS AND EXPORTS OF SILK WASTE, 1929-1937
(In metric tons)

	<i>China</i>	<i>Japan</i>	<i>Total Imports</i>	<i>Total Exports</i>
1929.....	3,014	1,777	5,517	4,289
1930.....	2,417	358	3,737	3,629
1931.....	1,903	361	3,113	3,485
1932.....	1,003	154	1,834	2,598
1933.....	1,159	414	2,735	2,789
1934.....	1,985	1,308	4,912	2,605
1935.....	1,872	1,198	3,892	1,574
1936.....	546	777	1,749	1,415
1937.....	558	393	1,569	1,545

This analysis indicates that for only a few raw materials was the Far East the exclusive or the main supply market of Italy and that for many of them Italy herself was an important producer. Among the Italian imports from the Far East, three strategic raw materials emerge, cinchona bark, rubber, and tin. The first is virtually a Dutch monopoly and the other two were subject to comprehensive schemes of international regulation under joint Anglo-Dutch control.

The purchases of the basic raw material for quinine have been reserved since 1934 to the Italian State Tobacco Monopoly. No attempts are so far known to have been made for the production of cinchona bark in the Italian colonies. The payments for these imports were facilitated by a clearing agreement between Italy and the Netherlands.

The Italian purchases of rubber were distributed among the member countries of the International Rubber Regulation Committee, with British Malaya taking the largest share during recent years. Italian imports from countries which have not joined the international rubber restriction scheme (Brazil, United States and others) were insignificant before 1936 (about 1.60 per cent of the total imports). In 1936, because of the situation created by economic sanctions, Italy took from these countries more than 34 per cent of her imports of rubber. The data of 1937 show a return to Italy's traditional main dependence on British and Dutch sources. Because of the strategic

importance of this material, Italy took several steps in 1937 to develop rubber plantations in Italian colonies and to establish industries for the production of synthetic rubber. Although industrial production of synthetic rubber was reported to have begun in 1938, no information is available to show the results of the new policy in this field.

The production of tin in Italy before 1936 was practically non-existent, although insignificant quantities of tin were reclaimed from scrap metals, but during 1935 and 1936, the years of the economic sanctions, domestic production jumped respectively to 1,540 and to 996 tons. At the end of 1935 the Italian Metals' Monopoly was entrusted with the purchase of tin abroad and imports of it were secured as re-exports from Germany, as the embargo on sales to Italy applied during 1936 was enforced only by the sources of supply (British Malaya, British India, Great Britain, Belgium and Luxembourg). In 1936 the Italian Metallic Minerals Administration reopened an old tin mine and started work in a few others; production of tin amounted to 291 tons in 1936 and 77 tons in 1937. Consumption of tin has been restricted by the use of substitute materials from light metals and their alloys. As a consequence, imports of tin in 1937 were the lowest since 1931, despite the increased activity in the heavy industries.

Italian Exports to the Far East

The composition of the Italian export trade to the Far East changed considerably during the period between 1929 and 1936; some items virtually vanished, while new ones made their appearance. During the period indicated they consisted mostly of textile goods (woolen goods, artificial fibers); semi-manufactured industrial goods (asbestos plates, iron and steel tinned sheets); machinery (automobiles, non-electrical machinery, aircraft, guns); chemical products (dyes, carbide of calcium, acid and cream of tartar, barium sulphate, rubber tires, ammunition); minerals (refined sulphur, quicksilver, aluminum).

Italian exports of woolen goods and artificial textile fibers to China, Japan, the Netherlands Indies and Siam were of great importance in 1929. Between 1929 and 1936 they contracted about 90 per cent in absolute volume and from 27.65

per cent to 10.40 per cent of the total Italian exports of these goods.

TABLE 15
ITALIAN EXPORTS OF WOOLEN GOODS AND ARTIFICIAL TEXTILE
FIBERS, 1929-1936
WOOLEN GOODS

	<i>Hongkong</i>	<i>China</i>	<i>Netherlands Indies</i>	<i>Japan</i>	<i>Siam</i>	<i>Total</i>
1929.....	6,252	9,822	1,521	3,776	1,040	77,140
1930.....	9,822	1,748	541	853	421	79,323
1931.....	9,150	4,371	191	633	700	91,350
1932.....	3,278	1,795	257	325	675	68,673
1933.....	4,301	2,485	436	89	135	70,184
1934.....	3,778	3,015	389	195	13	74,670
1935.....	2,325	1,279	311	24	5	56,556
1936.....	858	1,033	93	46	25	34,054

ARTIFICIAL TEXTILE FIBERS
(In metric tons)

	<i>China</i>	<i>Total</i>
1929.....	5,582	17,802
1930.....	4,504	18,872
1931.....	5,913	20,987
1932.....	2,327	16,957
1933.....	2,064	16,039
1934.....	1,563	21,726
1935.....	1,429	21,708
1936.....	2,212	20,336

Among the semi-manufactured industrial goods, asbestos plates were exported from Italy to the Netherlands Indies in considerable quantities from 1929 to 1933, but by 1934 this export ceased. Italian exports of iron and steel tinned sheets to China and British Malaya appeared in 1932 and by 1936 increased to 17 per cent of the total Italian exports of them. These industrial and strategic materials were destined principally for China, either directly or by way of Singapore, but substantial quantities also went to the Netherlands Indies.

Exports of machinery from Italy included negligible quantities of non-electrical machinery to Japan, a few hundred automobiles sold every year in British Malaya and the Netherlands Indies, and aircraft and guns to China. Sales of air and land military equipment to China became particularly important

TABLE 16
ITALIAN EXPORTS OF IRON AND STEEL
TINNED SHEETS, 1932-1937

(In metric tons)

	<i>British Malaya</i>	<i>China</i>	<i>Total</i>
1932.....	—	6	8,154
1933.....	854	1,613	24,358
1934.....	4,435	2,501	30,504
1935.....	3,714	2,198	31,077
1936.....	1,047	1,684	9,925
1937.....	3,474	3,862	22,025

in 1933 and 1935, at the time of the close political coöperation between Rome and Nanking.

TABLE 17
ITALIAN EXPORTS OF AIRCRAFT, AIRCRAFT PARTS, AND GUNS,
1929-1937

	<i>Aircraft (number)</i>		<i>Aircraft Parts (in hundred kilograms)</i>		<i>Guns (in 1,000 lire)</i>	
	<i>China</i>	<i>Total</i>	<i>China</i>	<i>Total</i>	<i>China</i>	<i>Total</i>
1929.....	—	54	—	—	—	30,280
1930.....	—	9	—	—	790	37,276
1931.....	—	51	—	—	—	33,166
1932.....	—	10	—	824	—	6,462
1933.....	15	31	167	881	3,993	10,914
1934.....	1	13	49	427	1,203	23,883
1935.....	45	61	324	763	300	6,335
1936.....	20	32	490	952	686	8,394
1937.....	—	39	709	2,626	—	25,798

The Italian chemical industry supplied considerable quantities of its products to the Far East. About 18 per cent of its exports of dyeing materials and minor quantities of calcium carbide (4.10 per cent), acid and cream of tartar (5.75 per cent) went to China and Japan, while some dyes and barium sulphate were sold in the Netherlands Indies. These exports showed a tendency to increase both in absolute figures and in relative importance. Exports of ammunition to China moved very irregularly and exports of rubber tires to the Netherlands Indies decreased sharply between 1929 and 1936.

Three mineral products were exported from Italy to the Far East. Sales of refined sulphur to the Netherlands Indies declined from 41 per cent of the total Italian exports of this mineral in 1939 to virtually nil in 1936. More than 24 per cent

TABLE 18
ITALIAN EXPORTS OF DYES, 1929-1936
(In hundred kilograms)

	<i>China</i>	<i>Japan</i>	<i>Total</i>
1929.....	253	347	5,983
1930.....	551	314	7,674
1931.....	963	606	6,132
1932.....	1,956	429	10,466
1933.....	2,494	269	10,505
1934.....	1,792	79	9,357
1935.....	1,751	33	9,373
1936.....	1,850	55	7,190

TABLE 19
ITALIAN EXPORTS OF AMMUNITION, 1929-1937
(In hundred kilograms)

	<i>China</i>	<i>Total</i>
1929.....	—	514
1930.....	1,712	2,721
1931.....	—	1,474
1932.....	54	404
1933.....	1,103	1,372
1934.....	433	782
1935.....	394	1,401
1936.....	403	1,540

of the Italian exports of quicksilver went regularly to Japan. After 1932 aluminum became an important item of export to Japan which from 1933 to 1935 took something less than one-fifth of the total Italian exports of this strategic light metal. By 1936 these purchases ceased entirely.

An important fact appears evident from this analysis. Since Italian exports of textile goods to the Far East have declined both in absolute volume and value and in relative importance, it is clear that Italy is not relying on the Far East as a regular market, nor is the Far East dependent on Italy for a normal supply of needed products. Several new articles appeared in the list of Italian exports to the Far East in the years from 1929 to 1936, only to vanish shortly afterwards. Many of these new articles were exported for political considerations rather than in normal business transactions, and their market therefore ceased with the end of the political conditions which originated it.

TABLE 20
ITALIAN EXPORTS OF REFINED SULPHUR,
1929-1936
(In metric tons)

	<i>Netherlands Indies</i>	<i>Total</i>
1929.....	9,407	19,100
1930.....	11,481	27,593
1931.....	8,919	22,902
1932.....	1,820	13,358
1933.....	333	20,215
1934.....	241	12,201
1935.....	181	13,158
1936.....	10	13.814

TABLE 21
ITALIAN EXPORTS OF QUICKSILVER AND ALUMINUM, 1929-1937
(In metric tons)

	<i>QUICKSILVER</i>			<i>ALUMINUM</i>	
	<i>Japan</i>	<i>Hongkong</i>	<i>Total</i>	<i>Japan</i>	<i>Total</i>
1929.....	133	36	556	—	121
1930.....	113	23	695	—	643
1931.....	96	9	491	2	2,891
1932.....	163	89	828	41	1,312
1933.....	192	54	1,139	1,656	3,839
1934.....	193	24	1,050	507	5,587
1935.....	403	52	1,236	809	6,026
1936.....	344	28	1,426	—	70
1937.....	137	—	2,312	—	—

The Degree of Economic Interdependence

The conclusion to be drawn from the analysis of Italian trade in the Far East is that while Italy depends on southeastern Asia for the supply of strategic raw materials, the Far East is not dependent upon Italy for any specific commodity or product. The declining importance of central and northeastern Asia in Italy's foreign trade is due to several factors among which two should be especially mentioned: (a) the decline of Italy as an exporter of silk piece goods since 1931 brought about a decrease in Italy's purchases of raw and waste silk from China and Japan; and (b) the restrictions placed by the Italian Government on the importation of non-essential materials. It should be pointed out in regard to (b) that imports of antimony from China are not of great importance to Italian industry.

since they normally represent less than one-fifth of the Italian production. Moreover, Italy and Japan have competitive economies, because of their similar geographic situation and of their analogous industrial development, complicated by overpopulation and shortage of raw materials, minerals and foodstuffs. Despite the fact that Italy produces many of the principal Chinese products (silk, oil seeds, antimony, manganese), the differing stages of development of the Italian and Chinese economies offer large opportunities for trade relations. These facts explain why the trade agreement between Italy and Japan was made possible only by the introduction of Manchoukuo and Italian East Africa as intermediary parties in order to bring about a balance in the desired amount of barter trade.

The increasing importance of southeastern Asia in Italy's foreign trade was due to the shift mentioned above in the purchases of rubber from British India and British Malaya, to increased purchases of cinchona bark and quinine since 1933, and to the larger requirements of tin and rubber by the rapidly expanding Italian industry and for war stocks. This is evidently a special type of trade that is increased rather than decreased by the autarchic policy, or at least by the early stages of it.

Because of the autarchic tendencies of Italy and Japan and the lack of a natural basis of trade between the two, one may hazard the opinion that their commercial relations will be increasingly dependent upon political considerations and upon the possibility of establishing barter exchanges of specified products and manufactured goods along the lines of the Italian-Japanese trade agreement, with China or parts of China as an intermediary party. Italian trade with southeastern Asia, on the contrary, could hardly be affected by any outside factor, so long as substitutes or domestic products do not become commercially marketable in Italy in place of cinchona bark, tin and rubber.

CHAPTER VI

ITALIAN INTERESTS IN THE FAR EAST— CONCLUSION

Italy has no possessions in the Far East. Her territorial interests are limited to the Tientsin concession, situated on the left bank of the Hai River. In 1938 the concession, about half a square mile in area, had a population of 14,879 Chinese, 477 Italians and 262 persons of other nationalities. The international position of the concession is similar to that of the other foreign concessions; internally the administrative organs are modelled on the lines of a Fascist municipality in Italy, the Consul having functions equivalent to those of a *podesta'* (mayor) in an Italian city and being assisted by a Consultative Council of Italian citizens and Chinese residents. The financial status of the concession may be indicated by the fact that the annual revenue, amounting to about half a million Chinese dollars and consisting of rents of municipal properties, land assessments, license fees, business taxes and wharf dues, usually yields a net excess over ordinary and extraordinary expenditures, and that no loans have ever been issued.

There are no complete and recent statistics on Italian investments in the Far East, but Mr. C. F. Remer estimated Italian business investments in China in 1930 at U.S.\$4,445,000. At that time there were in China 41 Italian business firms and 713 individuals (excluding missionaries) of Italian nationality. There were no industrial plants owned by Italians except, perhaps, that of a firm in Tientsin dealing in marble. It was estimated that investments in Shanghai formed about 70 per cent of total Italian investments in China. By 1936, the last year for which complete population figures are available, the number of Italians in China had increased slightly to 756, but the number of firms had shrunk to 35. Despite the decline, however, it seems that the importance of some Italian firms had

increased and distribution of investments had somewhat changed in favor of Tientsin.

Three enterprises are foremost among Italian businesses in Shanghai, the Italian Bank for China, the *Compagnia Italiana per l'Estremo Oriente* (Cideo) and the Chinese-Italian Navigation Company. The Italian Bank for China, whose establishment in 1919 and reorganization in 1925 have been mentioned elsewhere, had at the close of 1939 a paid-up capital of U.S.\$1,000,000 entirely held by one of the largest Italian banks, the *Credito Italiano*, and a reserve fund of U.S.\$204,375. As shown in the following table, this bank has seen its activities contract slowly but steadily since 1933 and fall rapidly after

TABLE 22
FINANCIAL POSITION OF THE ITALIAN BANK FOR CHINA
(In U. S. dollars)

	1933	1936	1938	1939
Cash on hand.....	816,134	321,812	148,055	270,535
Commercial Credits.....	1,426,939	1,381,276	958,356	724,750
Loans and Investments.....	444,664	249,376	31,612	23,029
Deposits.....	1,010,664	1,066,889	935,513	1,012,008
Guarantee and custody accounts.	2,242,892	2,055,753	813,689	464,590
Total Assets.....	5,781,478	5,078,593	3,766,739	3,171,433
Net Profit.....	46,324	2,060	45,825	46,660

1936, owing chiefly to the shrinkage of Italian-Chinese trade and to the liquidation of the Tientsin branch in 1937. The *Compagnia Italiana per l'Estremo Oriente*, with a capital of £36,000, is the outstanding representative of Italian commercial interests in Shanghai and has been actively engaged in placing textiles on the Chinese market during the 'twenties and capital goods during the 'thirties. The Chinese-Italian Navigation Company maintains a large fleet of steamships, motor vessels and steam launches, for passenger and freight service along the coast and the Yangtze, and controls a subsidiary Italian-Chinese Engineering Works Company, with ship building and repairing works in Nantao. Moreover, Italian interests appear in control of a textile industry with a capital of 1,100,000 Chinese dollars. Other minor Italian business interests in Shanghai cover a wide field, with investments in ship-

ping and trade in silk, manufactured goods (including artificial silk), comestibles and marble taking the leading place, followed by investments in hotels, restaurants, shops of all kinds and representative agencies of important Italian shipping, insurance and industrial (automobile and machinery) companies.

Among Italian interests in Tientsin real estate is predominant over all others. A company controlling the most fashionable amusement place of the city, and a subsidiary, have invested total net capital and reserves amounting to 1,207,170 Chinese dollars. Italians in this city also own the concession's transportation system, a modern general dairy farm, several import-export firms, two engineering and motor works, a garage and a small hotel. Other Italian investments in China include a garage in Peking and a hotel in Hankow. Italian investments in the Sino-Italian National Aircraft Works at Nanchang reached the substantial sum of 2,603,536 Chinese Customs Gold Units, mainly represented by deliveries of materials and machinery on long term credit. These investments, however, must be written off as a total loss, with the possible exception of 227,684 Gold Units secured by cash and deposits with the Italian Bank for China, owing to the confiscation of the factory by the Chinese Government in 1937.

The returns for 1938 and 1939 of twelve incorporated businesses (including a bank, a public utility, a textile factory, two real estate and seven foreign trade firms), owned or controlled at the end of May 1940 by Italian interests, showed total capitalization and reserves of U.S.\$1,204,000, £36,000 and Ch.\$3,431,702. Investments in shipping (consisting of two corporations, a subsidiary and a private firm), in a few other corporations, in all unincorporated businesses and in the representative agencies of Italian enterprises are excluded. According to estimates made for about 30 firms and representative agencies members of the Italian Chamber of Commerce of Shanghai, on the basis of the prevailing values of 1937, investments of 2 million Chinese dollars for shipping and 1.5 to 2 million Chinese dollars for all other business undertakings are suggested. On the basis of the official exchange rate (1 Chinese dollar = 0.30 U.S. dollars), total Italian investments in China

as of May 1940 may thus be estimated at approximately 3.5 million U.S. dollars.

Italian non-business investments include residential, missionary and official properties. The largest residential property is probably owned in the Italian concession at Tientsin, although the highest priced property owned by Italians is undoubtedly situated in Shanghai. Probable estimates are 15 "villas" at Ch.\$750,000 for Tientsin, 5 to 10 homes and apartments at Ch.\$500,000 to Ch.\$600,000 for Shanghai, and one "garden" at around Ch.\$100,000 for Peiping. There are Italian clubs in Shanghai (possibly Ch.\$250,000) and in Tientsin (owned, however, by one of the real estate companies, and therefore excluded here), and an Italian hospital in Tientsin (possibly Ch.\$500,000). Italian missionary organizations have been prominently identified with charitable, cultural and educational work. It is estimated that apart from 130 missionaries residing in Shanghai, there are more than 500 in other parts of China, representing between one-fourth and one-fifth of the total number of foreign missionaries. There are in China seven missions of the Parma and Milan congregations and probably more than half of the other 29 missions belonging to "Italian" orders (Minor Franciscans, Capuchins, Salesians) are supported from Italy. The land and other undertakings (newspapers, printing shops, etc.) owned by mission societies for income should probably be included in business investments, if they could be separated from the remainder. The figure of 2 million Chinese dollars seems a fairly conservative estimate of total holdings of Italian missions in China. Italian official property includes the Embassy buildings at Peking, Shanghai and Nanking, the Ambassador's residence in the French Concession of Shanghai, the Consulate building at Hankow, the municipality building, the barracks and other municipal properties at Tientsin (including properties yielding an administrative income, such as wharves, etc.), and a large and expensive plot of ground in Shanghai bought in April 1940 for the development of an Italian center. Most of these properties can hardly be classified as immediately saleable, and therefore their investment value is purely theoretical; the figure of 3 million Chinese dollars is indicated, however, as most probable. On the basis of the esti-

mates made above, Italian non-business investments may be in the vicinity of 2.2 million U.S. dollars.

Italy at present holds no Chinese portfolio investments. Italian holdings of obligations of the Chinese Government, estimated by Remer in 1930 at the nominal value of 42 million U.S. dollars, consisted of the so-called "Austrian" loans issued in 1913, 1914, 1915 and taken over by the Italian Bank for China after the first World War. Since these loans have continued to remain in default, despite the above-mentioned agreement of 1925, they should be definitely excluded from the list of Italian investments in China. The Italian share of the Boxer Indemnity, which was already excluded by Remer on account of the agreement of 1925, was definitely and unconditionally remitted in 1933.

Italian investments in the Netherlands Indies in 1929 were estimated by the Central Statistical Bureau at 2.2 million guilders. This sum included rubber plantations owned by the Pirelli Manufacturing Corporation, the largest Italian rubber concern, and coffee plantations. As the cinchona bark and tea plantations of the Italian State Tobacco Monopoly and a dairy farm with several agricultural undertakings were evidently excluded from the estimate, the amount should be increased by a substantial sum. Other estimates place Italian holdings at seven or eight times the Dutch figure.

No other statistics are available, but everything points to the insignificance of Italian business investments in other Far Eastern countries. In southeastern Asia the *Compagnia Assicurazioni Generali* has branches in Saigon, Manila and Batavia. According to the latest census report of Italians living abroad, the number of Italian citizens in Japan in 1927 totalled 70, of whom 12 were missionaries; in Korea 1; in the Netherlands Indies 150; in French Indo-China 89; in Thailand 82; and in the Philippines 48. The distribution of Italian centers in the Far East may be indicated by the presence of Fascist groups in Tokyo, Tientsin, Peking, Hankow, Shanghai, Hongkong, Saigon, Bangkok, Singapore and Batavia. Although no information is available concerning investments of Far Eastern countries in Italy, it may be stated that any possible sums involved are insignificant.

It has been possible in the foregoing pages only to summarize briefly the distribution and amount of Italian direct interests in the Far East. It is evident from this necessarily incomplete analysis that Italy's commercial interests far predominate over investments and concessions. The present political situation finds Italy and Japan linked by an ideological, diplomatic and military alliance against the British Empire, though it would seem that Italy's commercial interests lie on the Asiatic continent and in southeastern Asia rather than in the Japanese Empire. This apparent divergence of Italy's political and economic interests, however, does not necessarily represent, in the long run, an insoluble conflict. On the contrary, it may open to Italy and Japan, politically allied, the road to a larger and closer economic collaboration in the extensive areas which are being brought under Japanese control. Undoubtedly, within the framework of the autarchic system the needs for raw materials on the one hand, and of capital goods on the other, are more easily supplied through barter and state-controlled trade than through free exchange and individual initiative. These considerations suggest the possibility of exchanges based on the triangular barter system already envisaged by Italy, Japan and Manchoukuo in their trade agreement, that is on supplies of raw materials from certain areas against deliveries of industrial goods to other areas. Trade between Italy and the Far East consisted before the present war mainly of imports of rubber, tin and cinchona bark from southeastern Asia and of exports of textile, industrial and sundry goods distributed all over the Far East. In normal peaceful times it would undoubtedly be possible to balance the Italian purchases of raw materials from southeastern Asia with Italian sales of capital goods to central and northeastern Asia. Italy's point of view may be that the demand for industrial goods in eastern Asia cannot be adequately supplied by any one country, and that therefore her interests lie in following a policy of assistance to the capitalist development of eastern Asia under the auspices of Japan. During the past months the impending official recognition of the new Nanking Government by Italy has been frequently rumored in Tokyo and recently it has also been indicated that

Italy will support any step taken by Japan to assume control over French and Dutch Far Eastern possessions.

These considerations are suggested to the reader who chooses to take a long view of the problem. For the present it must be recognized that the immediate factors are the two wars now being waged on three continents.

APPENDIX

TABLE 1
ITALIAN TRADE WITH CHINA AND JAPAN, 1890-1939
(In million lire and percentage of total Italian trade)

Year	China (including Hongkong)*				Japan			
	Imports	Per Cent	Exports	Per Cent	Imports	Per Cent	Exports	Per Cent
1890.....	1.8	0.13	0.3	0.03	1.8	0.13	0.5	0.05
1895.....	20.0	1.68	1.3	0.11	1.1	0.09	2.2	—
1900.....	49.7	2.91	4.3	0.32	11.8	0.68	2.2	0.16
1905.....	59.7	2.96	3.3	0.19	16.6	0.82	1.0	0.06
1910.....	61.0	1.88	9.1	0.44	28.4	0.87	1.3	0.06
1913.....	36.3	1.00	9.9	0.39	60.8	1.66	4.6	0.18
1914.....	56.3	1.93	5.7	0.26	46.7	1.59	3.4	0.15
1915.....	50.8	1.24	2.5	0.09	42.0	0.85	1.9	0.07
1916.....	101.6	1.21	5.4	0.17	64.4	0.77	3.5	0.11
1917.....	93.3	0.67	8.3	0.27	111.5	0.79	3.1	0.09
1918.....	152.5	0.95	4.1	0.12	176.5	1.10	6.4	0.19
1919.....	245.8	1.48	4.0	0.06	145.5	0.87	7.4	0.12
1920.....	311.5	1.10	12.1	0.10	312.0	1.17	11.7	0.09
1921.....	191.3	1.13	16.4	0.19	121.8	0.72	18.0	0.22
1922.....	137.2	0.87	21.0	0.22	183.9	1.16	17.7	0.18
1923.....	201.7	1.17	39.8	0.36	59.5	0.34	29.6	0.26
1924.....	187.9	0.96	67.4	0.46	192.5	0.99	34.0	0.23
1925.....	199.9	0.76	85.7	0.47	155.9	0.59	37.5	0.20
1926.....	256.7	0.99	178.7	0.96	142.2	0.55	94.6	0.50
1927.....	216.8	1.06	152.2	0.97	121.4	0.49	39.3	0.25
1928.....	235.5	1.08	229.9	1.58	123.2	0.58	68.3	0.47
1929.....	265.2	1.24	240.1	1.66	100.1	0.47	54.1	0.36
1930.....	142.9	0.82	142.9	1.18	66.8	0.38	37.1	0.30
1931.....	112.7	0.97	157.6	1.54	42.1	0.36	42.4	0.40
1932.....	75.0	0.90	89.5	1.31	36.0	0.42	22.4	0.33
1933.....	31.6	0.42	82.9	1.36	34.6	0.45	30.7	0.51
1934.....	43.6	0.56	48.0	0.92	41.4	0.52	14.5	0.28
1935.....	72.5	0.81	55.0	1.05	33.6	0.43	19.2	0.36
1936.....	24.0	0.39	34.4	0.62	15.2	0.25	14.9	0.27
1937.....	60.0	0.43	71.1	0.68	30.3	0.21	17.6	0.17
1938.....	27.3	0.25	30.7	0.38	30.3	0.27	17.2	0.21
1939.....	—	—			8.4	0.16	16.5	0.40
	(5 months)**							

* Excluding Manchuria after 1934. Italian trade with Manchoukuo is shown below in Table 4.

** No data available for China. Publication of trade statistics was suspended by the Italian Government in June 1939.

TABLE 2
CHINESE AND JAPANESE TRADE WITH ITALY, 1906-1939
(In absolute figures and percentages of Chinese and Japanese total trade)

	China (In million Haikwan taels*)				Japan (In million yen)			
	Exports		Imports		Exports		Imports	
	Per	Cent	Per	Cent	Per	Cent	Per	Cent
1906.....	8.3	3.52	0.4	0.91	11.8	2.78	0.6	0.15
1910.....	10.8	2.84	0.5	0.12	16.8	3.67	0.6	0.13
1913.....	8.3	1.93	0.7	0.14	29.4	4.65	1.1	0.15
1914.....	5.8	1.61	0.7	0.13	11.1	1.70	0.8	0.12
1915.....	9.3	2.23	0.4	0.09	3.0	0.42	0.3	0.05
1916.....	6.3	1.31	0.4	0.07	3.9	0.34	0.7	0.09
1917.....	3.9	0.04	0.5	0.08	18.0	1.12	0.4	0.04
1918.....	9.6	1.96	0.4	0.06	11.6	0.59	0.6	0.04
1919.....	5.1	1.81	1.0	1.15	6.4	3.04	0.7	0.03
1920.....	5.5	1.02	0.3	0.04	6.4	0.33	2.1	0.09
1921.....	4.1	0.69	1.3	0.13	2.3	0.13	1.8	0.10
1922.....	6.0	0.92	2.3	0.23	5.1	0.31	2.9	0.16
1923.....	9.5	1.26	3.7	0.39	2.8	0.19	3.5	0.17
1924.....	8.9	1.16	6.3	0.60	6.2	0.34	4.4	0.18
1925.....	9.9	1.28	6.0	0.63	8.2	0.37	6.7	0.13
1926.....	13.3	1.65	9.1	0.80	5.3	0.26	6.7	0.28
1927.....	9.5	1.03	11.7	1.13	3.9	0.19	6.3	0.29
1928.....	15.1	1.52	16.1	1.33	6.6	0.31	9.3	0.42
1929.....	16.4	1.61	20.0	1.56	6.1	0.29	7.5	0.34
1930.....	14.5	1.16	22.8	1.10	6.2	0.42	4.3	0.28
1931.....	8.7	0.96	19.5	1.35	3.2	0.28	4.3	0.34
1932.....	3.7	0.76	13.9	1.30	5.7	0.40	4.0	0.28
(In million Chinese dollars*)								
1933.....	5.2	0.84	16.7	1.23	6.2	0.33	6.0	0.31
1934.....	6.7	1.26	12.5	1.21	9.6	0.42	3.5	0.15
1935.....	4.3	1.33	12.9	1.39	7.0	0.28	5.8	0.24
1936.....	3.4	0.48	12.2	1.29	4.5	0.17	3.8	0.14
1937.....	6.8	0.82	9.9	1.04	7.1	0.22	4.4	0.12
1938.....	1.3	0.17	17.6	1.95	3.3	0.13	5.8	0.22
1939.....	2.3	0.22	11.1	0.83	5.7	0.17	7.1	0.24
1940 (6 mo.)	6.5	0.79	5.7	0.59 (3 mo.)	3.5	0.64	2.4	0.24

* One Haikwan tael equals approximately 1.55 Chinese silver dollars, or one Chinese silver dollar equals approximately 0.76 Haikwan taels (until 1935, when Chinese silver dollars were withdrawn from circulation and the Chinese currency was based on the pound sterling).

TABLE 3
ITALIAN TRADE WITH MANCHIOUKUO, 1935-1938*

(In million lire and percentage of total Italian trade)

<i>Year</i>	<i>Imports</i>	<i>Per Cent</i>	<i>Exports</i>	<i>Per Cent</i>
1935.....	4.7	0.06	0.2	—
1936.....	2.7	0.04	0.1	—
1937.....	13.6	0.09	0.2	—
1938.....	16.4	0.15	19.9	0.24

* Figures not available for 1939.

TABLE 4
MANCHOUKUOAN TRADE WITH ITALY, 1932-1939
(In million Manchoukuo yuan)

<i>Year</i>	<i>Exports</i>	<i>Per Cent</i>	<i>Imports</i>	<i>Per Cent</i>
1932.....	0.2	0.04	2.2	0.36
1933.....	0.5	0.09	1.9	0.41
1934.....	0.7	0.12	4.3	0.96
1935.....	1.4	0.22	3.9	0.92
1936.....	1.6	0.23	0.4	0.06
1937.....	1.1	0.12	2.6	0.41
1938.....	2.4	0.19	3.5	0.48
1939.....	4.4	0.23	12.7	1.52
1940(3 mo.)	3.5	0.81	2.4	0.10

TABLE 5
ITALIAN TRADE WITH BRITISH MALAYA AND
NETHERLANDS INDIES, 1905-1938

(In million lire and percentages of total Italian trade)

Year	British Malaya				Netherlands Indies			
	Imports	Per Cent	Exports	Per Cent	Imports	Per Cent	Exports	Per Cent
1905.....	—	—	—	—	0.8	0.03	1.7	0.10
1910.....	12.8	0.39	2.2	0.10	5.4	0.17	4.0	0.19
1913.....	17.4	0.48	9.2	0.36	6.8	0.19	9.5	0.38
1914.....	11.9	0.42	4.5	0.20	4.6	0.16	10.6	0.48
1915.....	31.6	0.67	9.1	0.35	5.2	0.11	17.7	0.69
1916.....	25.0	0.29	13.2	0.43	31.7	0.38	26.0	0.84
1917.....	48.5	0.41	9.7	0.29	65.3	0.47	18.3	0.55
1918.....	60.7	0.38	5.0	0.15	31.1	0.19	3.6	0.11
1919.....	100.5	0.60	3.6	0.06	28.9	0.17	6.4	0.09
1920.....	139.1	0.52	29.6	0.25	43.2	1.16	52.5	0.45
1921.....	54.2	0.32	7.3	0.09	203.2	1.21	49.1	0.59
1922.....	48.8	0.31	25.0	0.27	34.4	0.22	69.1	0.74
1923.....	99.5	0.58	5.3	0.05	51.8	0.30	85.4	0.77
1924.....	119.8	0.62	18.8	0.13	28.5	0.14	103.9	0.72
1925.....	234.6	0.89	54.6	0.29	63.4	0.24	178.3	0.97
1926.....	196.9	0.76	72.7	0.39	50.7	0.19	199.0	1.07
1927.....	123.3	0.60	46.1	0.29	55.7	0.27	249.1	1.55
1928.....	88.1	0.40	38.4	0.26	59.6	0.28	189.7	1.30
1929.....	101.2	0.47	49.4	0.33	72.4	0.34	193.6	1.30
1930.....	88.1	0.50	21.5	0.17	24.8	0.25	88.2	0.72
1931.....	53.7	0.48	11.9	0.11	41.6	0.36	46.2	0.45
1932.....	32.6	0.39	8.7	0.12	76.2	0.92	29.7	0.43
1933.....	41.0	0.55	5.1	0.08	71.2	0.96	20.9	0.36
1934.....	44.5	0.58	10.6	0.20	77.3	1.00	16.1	0.30
1935.....	128.3	1.65	10.9	0.21	66.8	0.86	9.5	0.18
1936.....	49.0	0.81	4.6	0.08	36.9	0.60	4.1	0.07
1937.....	255.8	1.80	21.5	0.20	106.9	0.77	45.5	0.43
1938.....	209.5	1.89	20.5	0.25	111.3	1.00	40.0	0.50

TABLE 6
TRADE OF BRITISH MALAYA AND NETHERLANDS INDIES WITH
ITALY, 1923-1939

Year	British Malaya (In million Straits dollars)				Netherlands Indies (In million guilders)			
	Exports		Per		Exports		Per	
	Per	Cent	Imports	Cent	Per	Cent	Imports	Cent
1923.....	10.6	1.59	4.3	0.75	6.1	0.44	11.0	1.79
1924.....	12.6	1.75	5.4	0.75	8.6	0.54	12.4	1.83
1925.....	18.4	1.46	9.5	0.73	11.1	0.62	18.8	2.29
1926.....	15.2	1.21	15.9	1.26	8.7	0.55	17.3	2.00
1927.....	13.0	1.27	9.7	0.91	8.6	0.53	18.3	2.09
1928.....	10.0	1.18	7.5	0.88	12.3	0.78	20.5	2.11
1929.....	14.5	1.59	9.1	0.98	11.0	0.76	18.4	1.71
1930.....	15.4	2.33	4.8	0.72	9.0	0.77	13.3	1.54
1931.....	5.0	1.25	2.5	0.57	5.5	0.74	7.2	1.27
1932.....	6.1	2.14	1.2	0.34	7.4	1.38	3.9	1.07
1933.....	8.5	2.69	0.9	0.26	6.7	1.42	2.5	0.79
1934.....	12.8	2.95	1.6	0.36	7.4	2.97	1.8	0.37
1935.....	14.2	3.09	1.9	0.47	6.8	2.51	1.5	0.35
1936.....	1.9	0.38	0.7	0.16	3.5	1.26	0.6	0.11
1937.....	13.6	1.95	2.4	0.39	12.9	2.63	4.6	0.49
1938.....	10.8	2.39	1.9	0.49	9.3	1.82	5.1	0.79
1939.....	12.0	2.22	2.1	0.52	16.4	2.12	6.2	1.32

TABLE 7
 ITALIAN TRADE WITH PHILIPPINES, THAILAND AND FRENCH
 INDO-CHINA, 1923-1938
 (In million lire and percentages of total Italian trade)

Year	Philippines				Thailand				Total
	Imports	Per Cent	Exports	Per Cent	Imports	Per Cent	Exports	Per Cent	
1923.....	6.7	0.04	6.5	0.06	0.4	—	—	—	—
1924.....	15.1	0.08	6.1	0.04	1.9	0.01	—	—	—
1925.....	22.5	0.08	8.9	0.04	5.2	0.02	9.0	0.05	—
1926.....	19.8	0.07	16.1	0.08	6.5	0.02	16.2	0.09	—
1927.....	14.8	0.07	14.6	0.09	7.0	0.03	12.4	0.08	—
1928.....	13.2	0.06	5.9	0.04	8.9	0.04	13.7	0.09	—
1929.....	11.1	0.05	6.3	0.05	5.8	0.03	19.9	0.13	—
1930.....	7.0	0.04	3.4	0.03	9.6	0.05	8.3	0.07	—
1931.....	4.2	0.04	2.4	0.02	4.6	0.04	5.1	0.05	—
1932.....	1.8	0.02	2.1	0.03	1.0	0.01	4.6	0.07	—
1933.....	2.2	0.03	1.7	0.03	1.7	0.02	2.2	0.03	—
1934.....	4.8	0.06	1.1	0.02	2.1	0.02	1.1	0.02	—
1935.....	3.2	0.04	1.1	0.02	2.2	0.03	0.9	0.01	—
1936.....	16.5	0.27	1.9	0.03	1.1	0.01	2.3	0.04	—
1937.....	9.9	0.07	3.5	0.03	3.7	0.03	32.1	0.32	—
1938.....	5.2	0.05	4.9	0.06	1.1	0.01	5.0	0.07	—
Year	French Indo-China				Total				Total
	Imports	Per Cent	Exports	Per Cent	Imports	Per Cent	Exports	Per Cent	
1923.....	1.7	0.01	8.2	0.07	8.8	0.05	14.7	0.13	—
1924.....	2.3	0.01	1.3	0.01	22.6	0.10	7.4	0.05	—
1925.....	3.7	0.01	5.0	0.02	31.4	0.11	22.9	0.11	—
1926.....	6.4	0.02	4.9	0.02	32.7	0.11	37.2	0.19	—
1927.....	42.3	0.20	4.6	0.03	64.1	0.30	31.6	0.20	—
1928.....	21.0	0.09	3.7	0.02	43.7	0.20	23.3	0.15	—
1929.....	3.9	0.01	1.9	0.01	20.8	0.09	28.1	0.19	—
1930.....	1.5	0.01	1.1	0.01	18.1	0.10	12.8	0.11	—
1931.....	0.7	—	1.3	—	9.5	0.08	8.8	0.07	—
1932.....	0.1	—	0.7	0.01	2.9	0.03	7.4	0.11	—
1933.....	0.3	—	1.0	0.02	4.2	0.05	4.9	0.08	—
1934.....	0.2	—	0.3	—	7.1	0.08	2.5	0.04	—
1935.....	4.9	0.06	0.4	—	10.3	0.13	2.4	0.03	—
1936.....	1.3	0.02	0.4	—	18.9	0.30	4.5	0.07	—
1937.....	0.5	—	1.1	0.01	14.1	0.10	36.8	0.36	—
1938.....	0.3	—	0.4	—	6.6	0.06	9.4	0.13	—

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